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**Tax credit for certain large investments aiming at  
a climate neutral economy****Table of Contents**

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## **1 Decision on investment credit and the terms and conditions of the credit**

The Innovation Funding Agency Business Finland (later Funding agency) has decided on granting this investment credit. The decision and these terms and conditions are issued under the Act on tax credits for certain large investments aiming at a climate neutral economy (2025) (later Investment Credit Act).

The credit granted by the decision constitutes State aid under the State aid scheme SA.114934 authorized by the European Commission.

The investment credit is intended as a tax incentive for industrial investments related to the production of renewable energy, including hydrogen, energy storage, decarbonization and energy efficiency of industrial production processes, and the production of equipment, components and raw materials for clean transition.

The Funding agency is the State aid authority in the investment credit. It is responsible for supervising the implementation of the investment project on which the investment credit is based and for other tasks related to the granting of the credit and the supervision of investment projects. The tax Administration is responsible for the tasks related to the procedure for deducting the investment credit.

The decision and its terms and conditions must be formally approved by the beneficiary within one month of the date of the decision. A conditional decision only enters into force once the beneficiary has presented written evidence of compliance with the condition(s) and approved the decision online. The person approving this decision must be authorized to sign for the organization.

These terms and conditions are part of the decision, and compliance with them is the prerequisite for granting the investment credit.

In these terms and conditions, a project refers to an investment project aimed at a climate-neutral economy, on the basis of which the company is entitled to an investment credit in accordance with the above-mentioned law.

## **2 Publicity of the decision**

The following information will be public: the beneficiary's name, business ID, size, domicile, sector, register number of the decision, granting date and the amount of credit granted.

The beneficiary must submit their annual statements, including appendices, for publication in the Finnish Patent and Registration Office, as laid down by law.

## **3 Accountable project leader**

The beneficiary authorizes an accountable project leader who is in an employment relationship with the beneficiary or holds a position of responsibility in the company. A person disqualified from the practice of commercial activities cannot act as the accountable project leader.

The accountable project leader monitors the implementation of the project referred to in the decision and is responsible for ensuring that

- project accounting has been arranged in accordance with these terms and conditions
- the decision and related terms and conditions are reviewed with financial management/an accounting firm, and they have been sent to the auditor for information
- the project is implemented in accordance with the plan
- reported costs have been incurred by the project during the duration of the project
- the persons chosen to manage the matters pertaining to the project in the Business Finland's online service have access rights to the project.

## **4 Reporting**

The accountable project leader is responsible for reporting on the project.

Upon request, the Funding agency must be provided with additional information if required for project monitoring. Additional information may include copies of receipts, invoice itemizations and selection criteria for purchased services.

The beneficiary must declare all project costs at the latest in the final report. If it is necessary to make changes between the cost categories in the cost estimate, the beneficiary must apply to change the cost estimate in the Business Finland online service. No new project costs can be presented after the approval of the final report.

The Funding agency will only give its final approval to the costs after it has received the auditor's report.

The beneficiary must, in connection with each report or cost statement, present a statement on the progress of the project.

## **5 Auditor's report**

The costs are confirmed by the auditor's report. The beneficiary must submit an auditor's report covering the entire duration of the project and prepared by an independent auditor as part of the final report. The report template is available on the Business Finland website. The Funding agency has the right to demand a larger sample size for the audit, for example if the audit report contains a large number of observations.

## **6 Monitoring of costs and project accounting**

The beneficiary must arrange its accounting so that the costs arising from the project can be itemized and their connection to the accounting and the reported costs can be verified.

If the beneficiary's accounting system does not permit the generation of cost-category-specific reports, the beneficiary must draw up some other calculation that lists how accounting costs are allocated to cost categories.

Accounting must include purchase invoices of project purchases. The invoices must specify the product or service purchased for the project.

Project documents and other materials necessary for the supervision and auditing must be kept for a minimum of 10 years after the payment of the last project funding instalment.

## **7 Eligibility of costs**

The project plan and cost estimate approved by the Funding agency form a part of the decision and serve as the basis for accepting the costs.

### **General conditions**

Reasonable costs incurred from the acquisition of fixed assets and capitalized on the acquisition cost of fixed assets and incurred from the company's investment project during its lifetime are eligible as grounds for the investment credit.

The costs must be based on the corresponding expenditure payment records. The expenses must be fully paid in money by the beneficiary when they are reported to the Funding agency. Procurements may not be financed by a loan issued by the recipient of the payment. Invoice for work performed

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during the project may be paid after the project end date but before the costs are reported to the Funding agency.

Costs submitted may be disallowed by the Funding agency if they cannot be clearly demonstrated to be related to the project or are excessive in relation to the results of the project.

All costs based on the project plan must be reported to the Funding agency. Final approval of the costs for a project can only be given after the costs have been approved.

VAT paid by the beneficiary as part of the purchase price of the goods or services is not an eligible cost.

### **Special conditions**

Eligible costs for projects related to the production of renewable energy, including hydrogen, and energy storage are the investment costs of the project to the extent that the costs are related to the construction of new capacity or the upgrading of the capacity of a power plant.

Eligible costs for projects related to the decarbonization of industrial production processes and energy efficiency measures are

1. the costs of equipment, machinery and installations as well as other reasonable investment costs related to the investment project.

For investment projects related to the production of equipment and its key components essential for the transition to a climate-neutral economy, or to the production or recovery of critical raw materials necessary for the production of such equipment and components, eligible are the reasonable costs related to

1. tangible assets such as land, buildings, plant, equipment, machinery, and
2. intangible assets, such as patent rights, licenses, know-how or other intellectual property.

## **8 Eligible costs for the investment credit**

Only costs incurred for purchases and work for which a written order or contract was placed after the date of submission of the application for the investment credit are eligible. A purchase ordered for a project before the application for the credit is submitted may be accepted only if the order or contract contains a condition that the purchase will be cancelled if the decision on the investment credit is negative.

To ensure the effectiveness of the investment credit, work on the project can only start after the application has been submitted. The start of work is defined as either the start of construction work related to the investment or the first legally binding commitment to order equipment or other commitment that makes the investment irrevocable, whichever occurs first. The purchase of land and preparatory work, such as obtaining permits and carrying out preliminary feasibility studies, are not considered to be the start of works.

For investment projects, no own salary costs of the beneficiary or of a group or associated company treated as the beneficiary are allowed.

The following costs are eligible:

Purchase, installation and commissioning of machinery and equipment

- Costs incurred from the purchase of machinery and equipment and their installation as a purchased service, as well as costs incurred from the of commissioning of the invested assets and the training of operating personnel as a purchased service.

Costs of acquiring intangible assets

- Intangible assets, such as patent rights, licenses, know-how or other intellectual property. Intangible assets related to investments in sectors strategic to the transition to a climate-neutral economy must meet the following conditions:
  - a. it shall remain associated with the area concerned and must not be transferred to other areas;

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- b. it shall be used primarily in the relevant production facility receiving the grant;
- c. it must be amortisable;
- d. it must be purchased under market conditions from third parties unrelated to the buyer;
- e. it must be included in the assets of the undertaking that receives the grant; and
- f. it must remain associated with the project for which the aid is awarded for at least five years.

#### Cost of buildings

- planning and labor costs incurred as purchased service for the construction, repair or expansion of a structure or building

#### Civil engineering, supervision and connection fees

- Costs of purchased services related to civil engineering and supervision of construction work, as well as the connection fee charged by the distribution network holder for electricity production or consumption.
- Costs incurred from the outsourced planning and construction costs of telecommunications networks necessary for the project and other similar networks and purchase costs of licenses necessary for the construction or use of the networks.

#### Earthwork and acquisition of land

- Costs of purchased services related to clearing and earthwork as well as the acquisition of land directly related to the investment.

#### Preparation and planning costs

- Preparation and planning costs acquired as a purchased service. The purchased services related to supervision and project management are also considered in connection with the assessment of reasonable preparation and planning costs.

If an investment project is funded by means of leasing, a part-payment, or similar or carried out through energy-efficiency contracting, costs are eligible up to the value corresponding to the purchase price of the acquisition; however, administrative, financing, insurance, repair, maintenance, or similar costs are not eligible. In a part-payment and lease contract, costs are eligible up to the value corresponding to the purchase price of the acquisition. Administrative, financing, insurance, repair, maintenance, or similar costs are not eligible.

However, in the case of a project involving leasing, part-payment, or similar costs, the beneficiary must prove that the financing company has paid the full amount of the purchase.

Completion of the project means that the investment for which the credit is granted is completed and is in operation. The beneficiary must have a document of the equipment's acceptance inspection.

Services purchased from the group companies and associated companies are eligible.

### **8.1 Purchases from other companies in the same group and associated companies**

The group refers to companies that are connected to each other on the basis that one company has controlling power in the other company or that a third entity alone or together with its related parties has controlling power in both companies.

Companies, regardless of their form of legal personality, are associated to each other if another company or person, alone or together with their close relatives, can exercise control over another company or can influence where procurement is carried out.

A party has control over the other party when:

- 1) it directly or indirectly owns more than half of the other party's share capital;
- 2) it directly or indirectly has more than half of the number of votes produced by all the shares of the other party;
- 3) it directly or indirectly has the right to appoint more than half of the members to the board of another entity or to a comparable institution or to an institution that has this right; or

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- 4) it is jointly managed with the other party or otherwise can actually exercise control over the other party.

The Funding agency considers that direct or indirect control over the other party to the transaction arises, for example, on the following grounds when an individual is in the following positions or positions in the recipient company and group company or a third party:

- members or alternate members of a company's Board of Directors
- responsible persons within the company
- close relatives: the person's married/common-law partner, sibling, sister-in-law and half-brother, as well as a relative in the ascending or descending line of the person and his/her married/common-law partner, as well as the married/common-law spouses of these persons.

### **8.1.1 Project accounting and cost reporting of an associated company**

When a company entitled to the investment credit makes an acquisition from an associated company within the meaning of Article 31(4) of the Tax Procedure Act, only the part of the acquisition cost shall be eligible which the company proves corresponds to the cost price.

Group companies and associated companies must also observe these terms and conditions. The beneficiary must ensure that the group companies and associated companies arrange project accounting in a manner that is in accordance with these terms and conditions.

The group companies and associated companies must provide the beneficiary with an invoice for the services purchased for the project. The Funding agency may in accordance with section 8 accept costs incurred by the seller for providing the service and paid by the beneficiary. Group-internal administrative costs and items paid as administrative fees are not eligible project costs.

The Funding agency will accept the paid purchased services without profit. In order to demonstrate the non-profit nature of the services, the group companies and associated companies must also provide the Funding agency with a separate project cost statement of the costs arising from the project.

The costs are declared using the template 'Cost statement for associated company Y3+Y5'. The authorized signatory of the group company or associated company signs the accountable project leader's declaration. The forms are available on Business Finland's website.

The beneficiary must submit the cost statement of each group company or associated company in a separate file. No later than in connection with the final report, the beneficiary must also submit a separate auditor's report in a specified form detailing the declared costs of the group company or associated company.

The auditor's report must be prepared by an independent auditor. The report template is available on the Business Finland website. The Funding agency may, at its discretion, exceptionally accept purchased services without a separate cost statement even from associated or group companies.

### **8.1.2 Purchases from foreign group companies and foreign associated companies, and costs arising in an office abroad**

The Funding agency may accept as project costs purchases from foreign group companies and foreign associated companies and costs to the beneficiary arising in an office abroad. This must be specified in the special terms and conditions of the decision. In accordance with section 8 only direct project costs are accepted as eligible costs. Exchange rates on the date of payment are applied to invoices submitted in a foreign currency.

Foreign group companies and foreign associated companies must provide cost statement forms and an auditor's report prepared by an independent auditor. The auditor's report on an official Business Finland template may be in Finnish, Swedish or English. The forms and auditor's report templates are available on the Business Finland website.

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## 9 Ineligible costs

For investment projects, salary costs incurred by the beneficiary, or a comparable group or associated company are not eligible.

The following costs are not eligible for investment credit:

- wages
- overheads
- entertainment expenses
- interest and other financing costs
- fees based on the Act on Criteria for Charges Payable to the State (150/1992)
- cost reserves
- travel expenses paid or reimbursed by the company entitled to the aid
- value-added taxes paid by the undertaking entitled to the aid as part of the acquisition price of the goods or services
- project audit costs
- operating costs recorded as current expenses during the project.

## 10 Consideration of income

Income generated with costs declared to the Funding agency during or after the project does not need to be reported to the Funding agency, and the Funding agency does not deduct income from eligible costs. Income may be generated, for example, in connection with the introduction of an investment.

## 11 Other public funding

The investment credit can also be obtained on the basis of an investment project for which other State aid has been granted, if the other State aid relates to different eligible costs than the eligible costs on which the investment credit is based.

The investment credit may also be obtained for an investment project for which other State aid has been granted on the basis of the same eligible costs, provided that such cumulation of State aid does not result in the maximum aid amount or aid intensity under any applicable provision being exceeded.

However, an investment credit based on an investment project for renewable energy production or energy storage cannot be obtained for the same project which has received operating aid for accelerated deployment of renewable energy and energy storage under section 2.5.2 of the EU Crisis and Transition Framework.

Under no circumstances may the combined total of the investment credit and any other aid exceed 100 % of the eligible costs.

In order to monitor the cumulation of State aid, the company must declare in the application for the investment credit any other State aid granted for the same investment project and its allocation to identifiable eligible costs.

The reports by the beneficiary must specify all other public funding granted for the project by the state, municipalities and other public entities or bodies or foundations governed by public law. Funding granted by the European Union must also be reported.



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## **12 Information to be submitted to the Tax Administration**

For the purposes of monitoring the use of the investment credit, the Funding agency shall, notwithstanding confidentiality provision, provide the Tax Administration with company-specific information on the investment credit it has granted, the maximum amount of the investment credit, the amount of approved and actual costs, the suspension of the investment credit decision and any changes affecting the final amount of the investment credit.

The beneficiary shall apply to the Tax Administration for a reduction of the investment credit.

## **13 Monitoring of impact and changes in decision**

The Funding agency monitors the impact of projects and the fulfilment of the conditions for granting investment credits even after the project has ended. The decision on a change in the investment credit must be made no later than six calendar years from the end of the year in which the investment project is completed.

The Funding agency monitors that the company complies with the conditions for granting the investment credit laid down in the Act on tax credits for certain large investments aiming at a climate neutral economy and the conditions set by the Funding agency during the period of use of the investment credit. To this end, the beneficiary of the credit is obliged, during the period of application of the investment credit, to provide the information requested by the Funding agency in order to carry out the monitoring.

The Funding agency shall take a decision to amend the investment credit if:

- 1) before five years have elapsed since the completion of the investment, the beneficiary transfers the investment in a sector that is strategically strategic for the transition to a climate-neutral economy away from its location;
- 2) the beneficiary transfers to the location of the investment in the strategic sector the same or similar functions as those on the basis of which the investment credit was granted before two years have elapsed from the completion of the investment;
- 3) the beneficiary essentially violates the terms and conditions set in this Act for the investment project on which the investment credit is based or the decision on the granting of the investment credit or the terms and conditions of the decision;
- 4) the beneficiary has directly or indirectly made funds or financial resources available or usable by natural persons, legal entities, entities or bodies on the embargo list or close to them; or
- 5) another change affecting the amount or use of the investment credit takes place in the investment project on which the investment credit is based.

The plant or equipment subject to the renewable energy production, energy storage and low-carbon and energy efficiency investment that is the basis for the investment credit must be completed and operational within 36 months from the date on which the investment credit was granted. If this 36-month period is not complied with, the amount of the investment credit granted to the company under the investment project in question shall be reduced by one percent for each month exceeding the 36-month period. However, the amount of the investment credit will not be reduced if the company demonstrates that the delay was due to an unforeseen reason beyond the company's control that the company could not have avoided if it exercised due diligence.

## **14 Reassignment and the conditions for investment permanence**

### **14.1 Transferring the decision**

The beneficiary may not transfer the decision to a third party.



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## **14.2 Conditions for investment permanence**

Investments in a sector that is strategic for the transition to a climate-neutral economy have special requirements (chapter 4 of the Investment Credit Act).

The beneficiary must undertake to maintain the investment at the location of the investment for at least five years after its completion.

However, the requirement to maintain the investment does not prevent the replacement of plant or equipment which has become obsolete or broken down during this period. However, it is required that the economic activity for which the investment credit was granted be continued at the location of the investment project for at least the required period of five years.

The intangible property which is an eligible cost for the investment credit must, under the conditions set out in point 8 above, remain linked to the location of the investment and may not be transferred to other areas, must be included in the assets of the company applying for the investment credit and must remain linked to the investment receiving the investment credit for at least five years.

## **15 Beneficiary's disclosure obligation**

The beneficiary must provide the Funding agency with accurate and sufficient information for monitoring the compliance with the decision and the terms and conditions.

The beneficiary must inform the Funding agency without delay of any change affecting the realization of the intended use of the investment or of any other change affecting the amount or use of the credit.

### **15.1 Right of inspection**

The Funding agency has the right to carry out the necessary audits of the beneficiary's finances and operations in order to monitor the projects.

The Funding agency may, by decision, authorize another authority or an external auditor to carry out such audits. An external expert may assist at the request of the Funding agency. The beneficiary should assist with the inspection and provide the needed information for the inspector without compensation.

The auditor has the right to seize any material subject to audit, if auditing so requires. A written record must be drawn up of any seizure of materials during an audit. The record must state the purpose of seizing the material and what has been seized. The seized material must be returned without delay when it is no longer needed for the audit.

The auditor has, to the extent required by the audit, the right to enter the premises managed or used by the beneficiary. This applies to the business, storage and other similar premises used for practicing a profession or a business, as well as other areas relevant to the granting of the funding and the supervision of its use. Audits may not be carried out in premises covered by domestic peace.

## **16 Misuse**

If, in connection with the project or during the monitoring period for which the Funding agency is responsible, there is reason to suspect that the beneficiary or a person acting on the beneficiary's behalf has committed a criminal offence under the Criminal Code (39/1889), with the Funding agency as the injured party, the Funding agency will take the required action in the matter.

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**17 Order of application**

In the event of a conflict between the funding decision and appendices to it, the following order of application will apply:

1. Decision and any special terms and conditions thereof
2. Terms and conditions
3. Cost estimate
4. Project plan
5. Application and its appendices
6. Any other documents relevant to the decision