

Innovation Funding Agency Business Finland – Public research funding

Policy on machinery and equipment costs in public research projects

This policy applies to all funding decisions as of 19 May 2020.

Prior to 19 May 2020, the policy for handling machinery and equipment costs was that all machinery and equipment was considered to operate independently. It was irrelevant whether the beneficiary had accounted for the cost in their income statement or balance sheet.

As of 19 May 2020, funding decisions will cover machinery and equipment costs in accordance with the beneficiary's established accounting practices.

Funding terms and conditions

Machinery and equipment purchases

The Funder may accept the procurement cost of a research equipment purchased for the project as a direct cost if the equipment is used primarily in the project during its useful life. Research equipment refer to devices or software used in the research that are necessary for the implementation of the project.

If the equipment is also used for other purposes besides the project, the eligible procurement cost is proportional to its use in the project. If the useful life of the equipment is longer than the duration of the project, the proportion of the procurement cost corresponding to the depreciation accumulated within the duration of the project may be eligible as project cost.

Research funding granted by the Innovation Funding Agency Business Finland may not be used for commercial activities. If a funded equipment is used unexpectedly in commercial activities during the project, the beneficiary must inform the Funding Agency insofar as it has received funding from the Funding Agency for the procurement of the equipment. See also section Income generated by the project on the funding terms and conditions. The beneficiary must have a reliable monitoring system enabling them to easily verify the use of the funded equipment in both commercial and non-profit activities.

The procurement costs of personal computers, mobile phones and equivalent tools are not accepted as equipment purchases or as other direct costs. Such costs are considered indirect costs of the research activities and are included in costs declared with the overhead cost rate. Operational costs of research equipment and other devices in use are approved in the manner described either under section Overheads or section Other costs on the funding terms and conditions.

Principles for funding machinery and equipment costs

The acquisition cost of equipment may be financed when the equipment is primarily used by the project during its useful life and the beneficiary has incurred the acquisition cost on an accrual basis during the project.

Innovation Funding Agency Business Finland may finance the use of equipment in a project, on the basis of the acquisition cost incurred within the duration the project.

Will the equipment be primarily used by the project, that is, at least 50% of the time?

- Funding will primarily be based on the equipment's acquisition cost and economic life, how long it is used by the project, and the ratio with which its use is divided between the project and other purposes.
- As a rule, it is the actual use of equipment in a project that will be funded, not its acquisition cost.
 - This ensures that publicly funded equipment is not used for commercial activities. The use of funding for commercial activities is prohibited by the funding terms and conditions.
- The beneficiary's assessment of the equipment's use by the project in relation to its other uses during the project
 - When the equipment is only used in the project during the project duration, the share of use is 100%.
 - When the equipment is used for other purposes in addition to the project during the project duration, the beneficiary estimates the share of use for the project, for example 80% in project use and 20% in other uses during the project duration.

Yes, the equipment will be used by the project 50% of the time or more during its useful life. The acquisition cost may be funded as a direct cost to the extent that the equipment is used by the project within the duration of the project.

For example, if equipment is purchased for the entire duration of a two-year project, the economic life of the equipment is three years, and the equipment is used by the project for 80% of the time:

- $(2/3) \cdot 0.8 = 0.53$. The equipment is primarily used by the project, that is, 53% of the time.
- Innovation Funding Agency Business Finland can therefore approve 80% of two-thirds of the acquisition cost as a direct cost of the project.

No, the equipment will be used by the project less than 50% of the time during its useful life. The acquisition cost may be funded under overheads

If equipment will primarily be used in other activities than the project, the condition "primarily used by the project" will not be met and no part of the equipment's acquisition cost will be accepted as a direct cost.

For example, if the equipment is used by the project for one year, the economic life of the equipment is three years, and the equipment is used by the project for 100% of the time:

- $1/3 = 0.3$, that is, the equipment is used by the project for 30% of the time. The equipment is not primarily used by the project, but can be funded under overheads.