

Funding for companies' research and development operations

Eligible costs and project monitoring

Funding terms and conditions: Funding for companies' R&D activities

23 November 2017

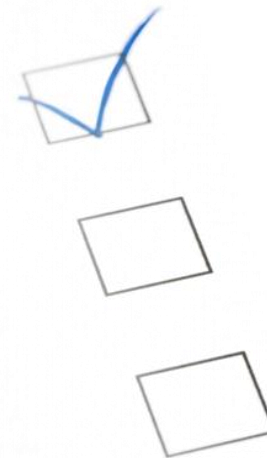
Accountable project leader:

- Carefully read the funding decision and any special terms and conditions for the financing so that you can comply with them.
- Review the decision and its terms and conditions with financial management/an accounting firm. Also send the decision and the terms and conditions to your auditor for information.
- Give an authorisation for submitting reports and cost statements to those members of your staff who are required to use the Tekes Online Service in matters related to the project.
 - For further assistance, please contact the Advisory Services, tel. +358 29 505 5051
 - [Instructions for reporting via Online Service](#)
- Submit the approval of funding decision via the Tekes Online Service.
- Arrange for project accounting and working time monitoring as soon as the project has started.



Project accounts

- The beneficiary must arrange their accounting practices so as to facilitate the itemisation of costs incurred under the project and verification of their connection to the accounts and the cost statement.
 - The working time monitoring forms a part of the project accounts
- Project documents and other materials necessary for monitoring and auditing (including personal working time records) must be kept for a minimum of ten years after the payment of the last project funding instalment.



Project working hours

- Working time must be monitored at an hourly level for each person participating in the project for work performed under the project ([a template is available on the Tekes website](#))
- In addition to hours for the project, total working hours must be monitored for those individuals who do not fall within the scope of the Finnish Working Hours Act (605/1996), or who do not have a specified working time.
- Hours spent working on the project must be reported for days when the actual work has been performed.
- The accountable project leader or the supervisor of each employee must confirm the working hours at least once per month.
 - The confirmation must be recorded in the monitoring system.
- The material related to working time monitoring, hourly monitoring reports and verified monthly summaries must be kept for ten years after the payment of the last project funding instalment.
- Tekes has the right not to accept wages and salaries in part or in full if working time monitoring has not been arranged as required by the general terms and conditions.

Projektin työajanseuranta

Tämä on vain malli; voitte käyttää muutakin teille paremmin sopivaa ratkaisua.

Organisaatio

Projektin nimi

Henkilö

Projektitunniste kirjanpidossa

Vuosi	Kuukausi	Pvm	Tekes h	Selite (esim. tyopaketti tms)	* Muut työ h
	tammi	1			
		2			
		3			
		4			
		5			
		6			
		7			
		8			
		9			
		10			
				
		28			
		29			
		30			
		31			
		Yhteensä	0	Yhteensä	0

* henkilön on pidettävä työajanseuranta kokonaistyöajasta projektituntien lisäksi, jos häneen ei sovelleta työaikalakia tai hänelle ei ole määritelty työaika

Hyväksymispäivämäärä

Hyväksyjän allekirjoitus

Nimenselvennys

General principles for cost statements

- An updated project plan forms part of the funding decision and is the basis for the approval of costs.
- The accountable project leader reports on the progress of the project and is responsible for ensuring that the declared costs are allocated to the project, comply with the project plan, and have been incurred within the period referred to in the funding decision.
- The eligible costs are declared as net costs, exclusive of VAT, and are entered into the beneficiary's accounts.
- The expenses must be fully paid in money prior to reporting.
- An expense based on an order placed before the beginning of a project phase cannot be allocated to the project, except when the order has a cancellation clause in the event that the project does not go ahead.
- Receipts are not required. If necessary, Tekes may request additional information related to the costs.

Salaries

- Salaries subject to withholding tax paid on the basis of effective working hours under the project, max. 11 months/year/person.
- Employees keep personal daily records of the working time on an hourly basis.
- When reporting salaries, the specification template (Y4) must be appended.
- A similar salary must be paid for work performed under the project as for other equally demanding work during the project (salaries are paid according to total working hours; the share of hours allocated to the project is declared to Tekes).
- The company's management and administration salaries are treated as overhead costs.
 - These may be accepted as direct costs, if the work performed is directly allocated to the project.
 - Salary specification (Tekes template Y4)



Indirect personnel costs

- A percentage in accordance with the cost estimate of the monetary wage for effective working hours, max. 50%
- If the person is not paid holiday pay, the indirect personnel costs are 30%.
- Tekes has the right to intervene in the amount of indirect personnel costs approved in the cost estimate if these arise from employment relationships that are not subject to the same indirect personnel costs as conventional employment relationships.
 - an employment contract that is not governed by the Working Hours Act (senior management level partners)
 - those arriving from abroad to work in Finland and those working abroad
- Examples of indirect personnel costs include
 - paid absences: holiday pay, sick pay and public holiday pay + holiday bonus
 - social security costs
 - other labour costs (e.g. fringe benefits, recruitment costs, staff training)



Overheads

- The percentage of the total salaries and indirect personnel costs as based on the cost estimate
- Overheads will not be accepted as direct costs on the cost statement.
 - IT, office and business premises costs and the related depreciations, as well as annual fees for intellectual property rights
 - management and administration salaries
- Standard percentages based on the number of staff
 - fewer than 10: 10%
 - fewer than 20: 20%
 - 20–49: 30%
 - 50 or more: 50%
- Tekes may request an audit of actual overheads

Travel expenses

- Of tax-free travel expenses as based on the Tax Administration guidelines: travel, mileage allowances, daily allowances and accommodation
- Travel expenses will be accepted up to the amount confirmed annually by the Tax Administration
- Costs incurred by the use of the company's own car are included in overheads.



Materials and supplies

- Materials and supplies purchased from third parties as invoiced.
- Only the share of costs incurred under the project.
- All issues from inventory are valued at cost price.



Equipment costs

- When used mainly in the project; only costs allocated under the project .
- Purchases
 - Equipment, software and other licences and minor costs entered as one-off costs (useful life < 3 yrs)
 - If the duration of the project is shorter than the economic useful life of the equipment, the depreciation occurring during the project will be accepted as acquisition costs.
- Depreciation
 - The depreciation expense of the equipment used in the project will be accepted as planned depreciation.
- Rents
 - Share of rents allocated for the duration of the project.
 - Cloud services are included in rental costs.
 - Administrative, financial, repair and servicing costs, etc. included in the rents will not be accepted. If these cannot be itemised, max. 50% of the expenses incurred from a lease agreement can be accepted.

Machinery and equipment depreciation costs

Example:

- ✓ project duration January–December 2016
 - ✓ the equipment was taken into use for the project in March 2016
 - ✓ the acquisition price for the equipment (excl. VAT) €24,000
 - ✓ planned depreciation over 5 years = €4,800 = €400/month
 - ✓ 60% of the equipment is used in the project
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- The share to be declared to Tekes for March–December 2016
 - $(10 \times €400) \times 60\% = €2,400$

Machinery and equipment rental costs

Example:

- ✓ project period January–December 2016
 - ✓ the equipment was leased in September 2016.
 - ✓ rental amount €6,000 (excl. VAT) = €1,000/month, for September 2016–February 2017
 - ✓ the invoice from the financing institution includes financing, etc. costs that cannot be itemised – Tekes will accept 50% of expenditure
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- Share to be declared to Tekes for September–December 2016
 - €4,000 x 50% = €2,000

Purchased services

- Planning and research work and surveys purchased from an external provider as invoiced.
 - The audit of the project, data acquisition, IPR applications and licensing costs may be included under purchased services.
 - Costs that are based on orders placed before the beginning of the project can only be approved if the order is subject to a cancellation clause in the event that the project does not go ahead.
 - Donations and awards as well as the financial contributions from enterprises to Tekes's public research projects are not eligible costs
 - Costs related to the IPR of large enterprises, as defined by the EU, will not be accepted
 - Work compensation is declared under "Services purchased from SMEs".
 - Working hours must be recorded

Purchased services must be itemised in the cost statement

- Services purchased from Finnish SMEs
 - companies with less than 250 staff
- Services purchased from Finnish research organisations
 - universities, universities of applied sciences and public sector (not private) research institutes
- Services purchased from other group companies and associated companies
 - will be accepted exclusive of profit margin (attach a separate cost statement)
- Services purchased from other domestic companies/entities
 - purchases from domestic companies with more than 250 staff
 - entities
- Purchased services from the European Single Market (the EU and the Swiss Confederation)
- Services purchased from outside the European Single Market
- The costs of IPR protection

Associated company

- If at least 20 per cent of one company's entire share capital or corresponding shareholders' equity is directly or indirectly owned or controlled by another company => associated company
- Tekes may also deem companies as being associated if
 - one company can exercise control over the other or otherwise influence where the other company procures goods and services from, such as via board membership, responsible persons, family members, or acting as an employee and/or investor
- When declaring purchased services from within the group or other associated companies.
 - Each associated company must present its own cost statement on the appropriate templates (Y3 + Y4, Y5) and with the final cost statement the standardised audit reports, which are attached to the beneficiary's final statement

Purchases from group and associated companies

- The same terms and conditions apply for costs of non-profit purchases as for the beneficiary (the general terms of funding must be adhered to)
 - Project accounting and working hour monitoring must be arranged according to the general terms.
 - All salaries must be paid (see salary payment obligations on the terms and conditions).
 - A standard percentage is applied for overheads, based on the number of staff in the company.
 - The beneficiary must pay the invoices of associated companies.
 - If the invoice of the vendor (group/associated company) is smaller than the declared amount, the costs are accepted as invoiced.
 - The statement of the accountable project leader is signed by a person at an associated company with the authority to sign for the company.
 - The final report of the beneficiary of the funding decision must include a separate standardised independent auditor's report on the costs of the group/associated company (standard audit template, <http://www.tekes.fi/asiointi/lomakkeet/>)

Purchases from foreign group companies and associated companies

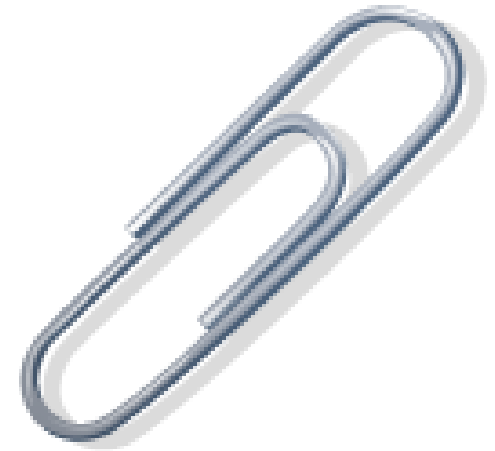
- Purchases from foreign group companies and foreign associated companies as well as costs incurred at an office located abroad may also be accepted as project costs.
- This must be mentioned in the special terms and conditions of the funding decision.
- The procedure for accepting such costs differ from domestic group or associated company purchasing in the following ways:
 - Directs costs, excluding indirect personnel costs
 - Overheads are not accepted
 - For invoices submitted in a foreign currency, the exchange rate applied is the rate on the payment date.
 - With the final cost statement, an independent external authorised auditor of the foreign company must provide a standardised auditor's report, in which they confirm that the costs declared have arisen from the project (in Finnish or Swedish on request, the English template is available on the Tekes website)

Contracting procedures

- If the beneficiary is a public procurement unit or the company has received funding from Tekes or other public funding that covers more than 50% of the contract, the beneficiary must comply with the Act on Public Contracts (1397/2016)
 - The contract must be subject to tendering as a public contract when its estimated total value, exclusive of VAT, is €60,000 or more. (The competitive tendering threshold for contracts closed before 1 January 2017 is €30,000)
 - If a **public** procurement unit has closed a contract in violation of the contract provisions, the contract does not constitute an eligible project cost.
 - The share of funding for a non-tendered contract may not exceed 50%.
 - The beneficiary must prove that competitive bidding has taken place by attaching a copy of the contract notice published in HILMA (hankintailmoitukset.fi) to the cost statement or by providing justification for applying the direct award procedure.
- For more information on the Act on Public Contracts, see the [Tekes website](#).

Changes to the project

- Send an advance written application for changes with justifications to Tekes.
- Most common types of project changes:
 - changes in cost categories
 - changes in the schedule
 - change in the reporting date
 - replacement of the accountable project leader
 - significant changes in the project plan
 - new bank details
- The change application template can be found on Tekes's website at <http://www.tekes.fi/asiointi/lomakkeet>
- Must be submitted via Tekes's secure email <https://asiointi.tekes.fi/suojaposti>



Project auditor's report

- The final statement must be made within four months after the end of the project, it must cover the entire duration of the project and all costs must be declared.
- The final statement must be appended with a standardised independent external auditor's report.
 - This can be found on the [Tekes website](#)
- The auditor should pay particular attention to the compliance of the project accounts and working time records with the general terms and conditions of the funding decision, as well as to the completeness of the chain of traceability.
 - The cost of the auditing report can be declared under the project.
 - A copy of the invoice and the receipt for payment must be submitted to Tekes.

Reporting in the Online Service

- The project progress is reported via the Tekes Online Service.
- The report has two parts that must be delivered separately:
 - a content report on the progress of the project
 - a cost statement on the costs allocated to the project
 - ❖ the report and the cost statement can only be submitted by the accountable project leader
- The forms and templates can be found on [Tekes' website](#)
- Instructions for reporting can be found on [Tekes' website](#)

Is your project funding a loan?

- Tekes loans are managed by the State Treasury
- The maximum advance on the loan is 30%.
- Max. 80% of the loan may be paid before the final cost statement is submitted.
- If the final statement indicates that too much has been paid out in a loan in comparison to approved costs, the State Treasury shall reclaim the overpayment.
- The State Treasury's contact information
 - www.valtiokonttori.fi
 - [Instructions to loan customers are available on the State Treasury website.](#)
 - [Online service for loan customers](#)
 - The service number is +358 29 550 2530
 - yritysluotot@valtiokonttori.fi

Suspension of payment and/or clawback

- If the information required for the payment has not been submitted or it is incorrect.
 - If funding has been used in violation of the funding decision.
 - If the funding criteria are fundamentally changed.
 - Examples: non-compliance with the project plan without Tekes's permission, arrears on Tekes loans, outstanding tax debt, significant deterioration of the company's financial standing, complete loss of equity, application for business reorganisation
- Having consulted the beneficiary, Tekes has the right
- to suspend/terminate payment of funding
 - to claw back funding in part or in full with interest

The interest on the reclaimed sum

- In accordance with the terms and conditions, the interest rate on the reclaimed sum is calculated from the date of the funding payment.
 - No additional interest is charged for the reclaiming of the overpayment of a loan advance.
- Invoices reclaiming a grant are issued by Tekes.
- Invoices reclaiming loans are issued by the State Treasury.

Also consider:

- All costs based on the project plan are to be reported and declared to Tekes.
 - If the maximum amounts for each cost category in the cost estimate are substantially exceeded, an application for a change to the cost estimate is required.
(see [Changes in the project](#))
 - The final costs under a project can only be approved once the auditor's report has been received.
 - After the approval of the final report and cost statement, no additional costs may be declared.
- Invoices for work performed during the project may be paid after the project has ended.
- Remember to keep the project documents and other materials safe for ten years from the final payment instalment for potential auditing.