

*Please note that this is a translation of the instructions from Swedish.
If there are differences between the English and Swedish versions,
the Swedish version applies.*

Instruction to eligible costs

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1 Introduction

Our general terms and conditions and this instruction are based on the rules on state aid and on the General Block Exemption Regulation, "GBER"¹. Any interpretation should be made based on relevant parts of GBER.

In Vinnovas general terms and conditions for grants (§ 6.1), we specify the costs that may be eligible for project participants. In this instruction we clarify what these costs are and how you as a participant should calculate and report these costs. Eligible costs mean the costs that you incur to complete your part of the project and which can be covered in whole or in part by our grant. Also, a participant who is not a beneficiary is subject to the general terms and should calculate and report its costs in the same way as a beneficiary.

In Section 2, we list the general conditions that apply for a cost to be eligible. Thus, costs are not automatically eligible just because they are a type of cost that may be eligible. Costs incurred while a participant is in difficulty will not be considered eligible. The grant will therefore not cover such costs.

In Section 3, we describe the types of costs (cost categories) that are eligible in different kinds of actions. All types of costs are not eligible in all kinds of projects. The types of costs that are eligible depend on the basis the aid is granted on. The basis for the grant is set out in the decision.

In Section 4, we give a more detailed description of the different types of costs. Eligible costs may, in some cases, deviate from what is stated in section 4. It is e.g. when our grant does not constitute state aid² or when it is granted as *de minimis* aid³. When this is the case, this will be specified in the call for proposals and in the decision. If nothing is stated there, all cost categories in the general conditions apply - see sections 4.1–4.5 below.

2 General conditions for a cost to be eligible

Costs are not automatically eligible just because they are a type of cost that may be eligible. All costs must also meet the conditions listed in this section, regardless of cost category.

For a cost to be eligible, the following must be met:

- The cost must be actual and be supported by documentary evidence, which means that it must be real and be registered in the accounting records of the participant. It cannot be an estimation. This means, for example, that a participant who does not pay himself a salary, e.g. an SME-owner who does not take out a salary cannot report and receive a grant by estimating a salary based on time spent on the project. Such an estimation is not an actual wage cost that can be found in the project participant's accounting.
- It must be incurred by the project participant, which means that the participant may only include and report its own costs.
- It must be incurred during the project period, set out in the decision. Costs incurred before or after the project time are not eligible.

¹ Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty, GBER.

² State aid is aid provided by a Member State or by public funds, of whatever kind, which distorts or threatens to distort competition by favoring certain undertakings or the production of certain goods, insofar as it affects trade between the EU Member States. See Article 107 of the Treaty on the Functioning of the European Union.

³ Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid

- It must be recorded and determined in accordance with the project partner's usual accounting practices and generally accepted accounting principles.
- It must be reasonable and incurred solely for the implementation of the project, which means that the cost must be reasonable, proportionate and necessary for the implementation of the activities in the project. Only the part of the costs attributable to the project is eligible.
- It must be in accordance with the project participant's own internal policies and guidelines, especially regarding environmental and climate impact. This refers primarily to travel policy, but also other relevant governing documents for the project participant.

For the costs to be eligible, they must also be reported to Vinnova in the final report, at the latest. Personnel costs incurred in connection with the completion of the final report shall be considered to have been incurred during the project period and may therefore be included as an eligible cost in the final report.

Costs that may be incurred during the period when a participant is insolvent are not considered eligible, which is also clarified in § 6.1, paragraph 9 of the general terms and conditions. Note that there is an obligation to inform Vinnova as soon as such a situation arises.

In your accounting, the project costs must be registered under a project-specific code or otherwise distinguishable from the other transactions of the organisation.

Direct and indirect costs are distinguished where direct costs are those that arise as an immediate consequence of the project, such as personnel costs and travel expenses. Indirect costs (overhead or OH) are general costs that do not arise as a direct consequence of the project, but which can be related to the direct costs of carrying out the project, such as costs for ordinary office space and cleaning, see section 4.5 below.

Some costs are specifically exempted in the general terms and conditions as not eligible. These are:

- (a) costs incurred in connection with the conclusion of the project agreement. This means that neither the costs for consultants nor the project participant's own personnel costs for the conclusion of the project agreement are eligible.
- (b) licensing costs or similar between project participants.
- (c) costs incurred by a participant during the period of its insolvency.

3 Activities and eligible costs

In this section, we specify the cost categories that may be eligible for different types of activities.

3.1 Research and development, GBER art. 25

Included in research and development is basic research, industrial research, experimental development and feasibility studies.

For research and development, the following costs are eligible:

- All types of costs stated in the general terms and conditions - see section 4.1–4.5 below.

3.2 Investment aid for research infrastructure, GBER art 26

For investment aid for research infrastructure, the following costs are eligible:

- Only costs for investments in intangible and tangible assets - see definitions below.
Tangible assets - assets in the form of land, buildings and plants, machinery and equipment
Intangible assets - assets that lack physical or financial form, e.g. patents, licenses, know-how or other intellectual property rights.

3.3 Innovation Clusters, GBER art 27

For innovation clusters, the following costs are eligible:

Investment aid:

- Only costs for investments in intangible and tangible assets – see definitions above under 3.2

Operating aid:

- Personnel and administrative costs including indirect costs relating to:
 - (a) animation of the cluster to facilitate collaboration, information sharing and the provision or channeling of specialised and customised business support services.
 - (b) marketing of the cluster to increase participation of new undertakings or organizations and to increase visibility.
 - (c) management of the cluster's facilities and equipment.
 - (d) Organisation of training programs, workshops and conferences to support knowledge sharing and networking and transnational cooperation.

3.4 Process and organisational innovation, GBER art 29

For process and organisational innovation, the following costs are eligible:

- All types of costs stated in the general terms and conditions - see sections 4.1–4.5 below.

Note, however, that some costs for "consultants and licenses etc." in section 4.3 below are excluded. Only costs for contractual research, knowledge and patents bought or licensed are eligible.

3.5 Innovation aid for SMEs only, GBER art 28

For innovation aid for SMEs, the following costs are eligible:

- costs for obtaining, validating and defending patents and other intangible assets.

Eligible costs include all costs prior to the granting of intellectual property protection, including translation and other costs for validating rights in different countries, as well as costs for objections. However, costs incurred protection has been granted, such as annual fees, costs of defending rights, or the like, are not eligible.

- costs for secondment of highly qualified personnel from a research and knowledge dissemination organisation or a large enterprise, working on research, development and innovation activities in a newly created function within the beneficiary and not replacing other personnel.
- costs for innovation advisory and support services

3.6 Aid for small start-up innovative companies, GBER art 22

The types of costs shown in the call text or decision. Unless otherwise stated, the types of costs stated in the general terms and conditions apply.

3.7 Non state aid and de minimis aid

Eligible costs may in some cases deviate from what is stated in section 4. This is, for example, when our grant does not by definition constitute state aid or when it is granted as de minimis aid. What applies then is stated in the call text and in the decision. If nothing is stated there, the types of costs stated in the general terms and conditions are eligible - see sections 4.1–4.5 below.

4 Cost categories in the general terms and conditions, § 6.1

4.1 Personnel costs

For personnel costs to be eligible, they must be actual and only refer to the time spent on the project. It must not be an estimate or a flat rate, the cost must have been incurred, which means that the salary must have been paid and be registered as salary costs in the accounts.

Personnel costs incurred in connection with the completion of the final report shall be considered to have been incurred during the project period and may therefore be included as an eligible cost. By personnel cost is meant gross salary and actual additional costs, such as social security contributions, contractual pension provisions, contractual insurance and fees. Taxable benefits should not be included.

Scholarships are not eligible costs.

Since only actual personnel costs are eligible, situations where no salary has been paid or similar situations where no actual cost has been incurred are not covered. If, on the other hand, salary waivers are made in favor of compulsory pension provisions, which are normally included in personnel costs, this is considered as personnel costs and is therefore an eligible cost. If a participant does not pay a salary, there is no actual personnel cost that can be found in the accounts and as a consequence, there is no eligible cost to include as a basis for calculating the grant.

It is not acceptable to start paying salaries or raising salaries just for the project and thereby increasing the project costs.

Since a cost also must be revisable to be considered eligible, we also require you to be able to show the time spent on the project. **This means that you to need to keep some sort of time recording.** The time records do not need to be attached to the report other than at our request, but it must be available on request or during a review visit.

Universities may use the time accounting routines that they normally apply.

Please note that we have decided that the total eligible personnel costs of a participant cannot exceed an **average cost of SEK 800 per hour**. This is **not** a flat rate that can be used, nor does it mean that the requirement for a cost to be actual is waived. Actual costs still apply, which means that if the actual personnel costs are higher than SEK 800 per hour, a maximum of SEK 800 is eligible. This also means that if the actual costs are less than SEK 800 per hour, the lower actual costs should be used.

Average cost means that if a participant has several employees with different salary levels working in the project, the average personnel cost may amount to a maximum of SEK 800 per hour to be eligible. This is **not** a flat rate.

Since the rule is that it is actual costs that are eligible, the calculation must be made on the basis of the total actual personnel costs divided by the total number of hours spent on the project. If the result in this calculation exceeds SEK 800 / hour, the personnel costs reported to Vinnova shall be reduced. See the example below:

Example 1			
Employee	Hourly rate	Hours	Total cost
A	1 500	100	150 000
B	1 000	50	50 000
C	750	200	150 000
D	500	500	250 000
Total		850	600 000

Average hourly rate: $600\,000/850 = 706$ which is <800 . In this example the actual personnel cost, 600 000, can be reported as eligible staff cost.

Exemple 2			
Employee	Hourly rate	Hours	Total cost
A	1 500	200	300 000
B	1 000	150	150 000
C	750	200	150 000
D	500	500	250 000
Total		1 050	850 000

Average hourly rate: $850\,000/1050 = 810$ which is > 800 . Eligible personnel costs may Not exceed 840 000 (1050×800).

The ceiling for personnel costs of SEK 800/hour does not apply to universities and higher education establishments. This also does not apply to institutes with which Vinnova has a special agreement when they participate in their non-economic activities. In agreement with certain institutes, Vinnova has approved that personnel costs may be calculated according to the full-cost models that these institutes apply. However, when reporting actual eligible costs, personnel costs and indirect costs must be reported separately. For indirect costs, see section 4.5 below.

4.2 Equipment, land and buildings

For instruments, equipment and buildings, depreciation costs are eligible. These costs are only eligible to the extent and during the time they are used in the project. This means that if they are only used partly for the project and for a certain period of time, only the cost that is attributed to the project is eligible.

Example

Project time	4 years
Depreciation period	5 years, ie 20% per year
Purchase cost equipment	SEK 100,000
Time for use in the project	2 years
Proportion of use in the project	30% (used 70% in other activities)
Eligible cost	$100\ 000 \times 20\% \times 30\% \times 2 = \text{SEK } 12\ 000$

For land, actual capital costs or rent are eligible to the extent and during the time the land is used in the project.

Cost of, for example, ordinary premises, land or other buildings that do not arise immediately as a result of the project is not an eligible direct cost but can instead be included in indirect costs (see section 4.5).

4.3 Costs for consultants and licenses etc.

This refers to costs for the **purchase of research services, knowledge and patents**, and to costs for **other consultancy services and similar services** used exclusively for the project. Patent costs do not mean costs for applying for patents, but for buying patents or patent licenses.

For the costs to be eligible, they must be purchased or licensed from external sources on market conditions and the activity and scope must appear in the project description. (Note! For grants decided before January 1, 2017, applies instead that a subcontractor may only carry out minor work. It does therefore not need to appear in the project description if the work is minor in relation to the project participant.) Vinnova does not consider project participants as external in relation to each other. This type of costs between project participants are therefore not eligible.

If the consultant is employed in a company within the project participant's group of companies, associated companies⁴ or are related persons⁵ to the project participant or to the deputy of the project participant, the cost may however be eligible. The cost that may be included as eligible is then the actual personnel cost (see section 4.1 above). Market-price for such consultants is not allowed. When reporting to Vinnova, such costs are reported under consulting costs.

Note that

- costs for **other consulting services and similar services** are only eligible if used **exclusively** for the project.
- in project relating to the **implementation of process and organisational innovation** (see section 2.4), only costs for research services, knowledge and patents are eligible. Costs for other consultancy services and similar services are therefore not eligible under that aid basis.

Cost of **audit certificate** is an eligible consulting cost **up to** SEK 30 000. For municipalities, county councils, government agencies, universities and other higher education establishments that provide certificates issued by an internal auditor, the corresponding costs are eligible, but must then be reported as personnel costs, unless they are included as part of the organisation's indirect costs. In the latter case, they should not be reported separately.

As stated in section 2 above, costs must be actual to be eligible. However, if the actual cost of the audit certificate exceeds SEK 30 000, only SEK 30 000 may be included as an eligible cost. This

also means that if the actual cost is lower than SEK 30 000, you should report the lower actual cost.

Costs incurred in connection with the conclusion of **project agreements** are not an eligible cost. This means that neither the costs for consultants nor the project participant's own personnel costs for the conclusion of the project agreement are eligible.

4.4 Other direct costs

Other direct costs incurred as a direct result of the project are eligible, like for example materials, supplies and similar products. Costs for publishing scientific articles open access can be an eligible cost and shall be recorded and reported under other direct costs. Costs for publishing in hybrid journals are not eligible costs. Travel costs related to a project shall also be recorded and reported under other direct costs. Travels should be limited to those necessary to carry out the project and, where possible, travel-free (digital) meetings should be given priority. Meetings should be planned in a climate-smart way and, as far as possible, travels should be made with environmentally friendly means of transport. The general rule is that project participants should follow their own organisation's meeting and travel policies. Other policies and guidelines must also be followed and as a general rule, environmental and climate impact of activities should be taken into account.

⁴Associated company means the following: (a) that the participant exercises significant influence over the legal and operational control of the legal entity and ownership forms part of a lasting relationship between the beneficiary and the legal entity; or (b) that the participant holds at least 20 percent of the votes for all shares in the legal entity and it is not otherwise evident from the circumstances that this does not constitute a significant influence, or c) that the project party's group company or participant together with one or more group companies together hold at least 20 percent of the votes for all shares in the legal entity the legal person and it is not clear from the circumstances otherwise that this does not constitute a significant influence.

⁵The related person includes, inter alia, spouse, partner, parent, child and siblings to the beneficiary (when the beneficiary is a natural person) or to the deputy of the beneficiary (when the beneficiary is a legal entity).

4.5 Indirect costs

Indirect costs (overhead) are general costs that do not arise as an immediate consequence of the project, but which can be related to the direct costs of implementing the project. This includes, for example, costs for ordinary office space and office cleaning.

Universities may calculate indirect costs according to the full cost principle they apply. Institutes with which Vinnova has a special agreement may calculate indirect costs in accordance with the full cost principle that they apply, and which has been approved by Vinnova when these institutes participate in their non-economic activities. When they participate in their economic activities, they are to be regarded as companies and what is said below for "other organisations" then applies.

Other organisations may calculate and add actual indirect costs up to a maximum of 30% of their eligible personnel costs. This means that if the actual indirect costs are lower, real indirect costs should be used. The basis for calculating indirect costs must be available.

5 Value Added Tax

Value Added Tax (VAT) is an eligible cost if you, as the beneficiary, do not have the right to deduct input VAT on the project activities. In that case, you should report your costs including VAT.

However, if you have the right to deduct input VAT on your project activities, you may not include VAT as an eligible cost in the project. This means that you should report your costs excluding VAT.

Please contact the tax authorities to find out which VAT rules apply to your particular project. The rules that apply to your regular activities do not necessarily apply to the project.

PLEASE NOTE!

Transfer of grant from coordinator to other beneficiaries is not a commercial transaction but is only a transfer in accordance with the grant decision. Since there is no transaction, VAT should not be added to the grant. The transfer can be made after requisition or otherwise as agreed between the participants in the project.