



Vlaanderen
is ondernemen

Guide to the VLAIO cost model

VERSION JULY 2021

Introduction

1.1 Purpose of the cost model

This manual applies as a cost model of Flanders Innovation & Entrepreneurship, acting for the Fund Flanders Innovation & Entrepreneurship (hereinafter referred to as: VLAIO).

All complete project applications contain a project budget. The maximum amount of funding granted to a project is based on the project budget that was accepted during the evaluation of the application. A final cost summary is drawn up at the end of the project, based on the final financial report. The final settlement is based on the final financial report where each cost category is capped at the amount reserved in the approved project budget.

This guide applies to the following support instruments of VLAIO innovation aid and to VLAIO cluster aid for certain types of projects:

- Development projects and research projects
- ICON
- cSBO
- Baekeland and Innovation mandates
- TETRA, COOCK and Agricultural projects
- Feasibility studies

Where mentioned explicitly, this guide also applies to aid instruments connected to special initiatives of the Flemish government. This guide is also applicable for Flemish contributions to projects responding to European calls, in situations where the Flemish part of the project is supported through standard Flemish instruments, as mentioned above.

This guide contains a detail description of all costs that can be subsidized as part of these instruments. Eligible costs are classified into five major cost categories which will be explained further on:

- Staffing costs;
- Overhead costs;
- Operating costs;
- Third-party costs;
- Investments;

Each aid instrument can be used for one or more of these five cost categories. For a summary of all cost categories eligible for support, please see Annex 1.

1.2 General principles

The cost model is based on realistic costs. When drawing up a project budget, costs must be estimated as realistically as possible. The final financial report may only contain costs that can be allocated to the project and that were incurred during the project term, with the exception of overhead costs. The project accounts must be completely closed before submitting the final financial report. This implies that, at the latest three months after the date of closing the project, each project partner must be able to substantiate all project costs incurred during the project duration by means of invoices and proof of payment if requested during an audit. Per partner, no more than half of the project budget submitted may be spent on activities outside

Flanders. These rules may differ in guides for specific programmes, calls or agreements with cluster organizations.

Both the budget application and the final financial report are to be drawn up in accordance with an Excel cost template, which specifies the minimum information that must be provided in a budget application or a final financial report. This Excel cost template for budget application must be completed for each project partner and must, for project consortiums, be supplemented with a total summary of all partners involved. For the sake of inspections and audits by the VLAIO, the Court of Audit of Belgium or the European Commission, additional information may be requested during the project evaluation process or the audit of the final report in connection with the amounts reported. Even after the remaining balance of the grant has been paid, an external auditing body may still be tasked with verifying the costs incurred.

A summary of the minimum information required in the budget application and final financial report can be found in Annex 2.

For the Excel-template of the final financial report, an (internal) (certified) (fiscal) accountant or corporate auditor is engaged to perform the Engagement (see Annex 5). The cost of performing this Engagement may be included as operating expenses. Only for companies/knowledge institutions that have previously made agreements with VLAIO around the use of gross salaries for staff categories or organizations working with government salaries, this final financial report can be charged by the legal representative.

1.3 Definitions

Start date: the date the project starts. This may be no earlier than the first day of the month after the month in which the application for funding was submitted. For companies that are in the process of being founded at the time of application, the start date may be no earlier than the first date of the month after the month in which the legal entity in question was founded.

Project term: start date to end date

Project runtime: duration in months from start date to end date

Annual Work Unit (AWU): 12 Person Months (PMs) = 210 working days = 42 working weeks at 38 hours/week

Linked enterprise: linked enterprises are all enterprises that solely or jointly hold > 50% of the capital or voting rights in an enterprise in accordance with the European definition of SMEs (See Annex I of the Block Exemption Regulation for more information)¹.

Partner enterprise: partner enterprises are all enterprises that solely or jointly hold $25\% \leq x \leq 50\%$ of the capital or voting rights in an enterprise in accordance with the European definition of SMEs (See Annex I of the Block Exemption Regulation for more information)¹.

Third-party services/project partner/research partner: Different forms of cooperation are possible within the different aid schemes. Parties can carry out a project alone or in a consortium.

¹ Meer informatie over de Groepsvrijstellingsverordening kan u hier vinden: <https://eur-lex.europa.eu/legal-content/NL/TXT/PDF/?uri=CELEX:32014R0651>

Cost categories

1.4 Staffing costs

1.4.1 Definition

This category may only be used for staffing costs for workers who are on a project partner's payroll. Managers with a fixed pay (fiche 281.20) are also accepted as staffing costs. The costs of invoices submitted by self-employed professionals, including managers contracted by management companies, are considered third-party services.

Acceptable staffing costs must be calculated for all members of staff directly involved in the execution of the project. The cost model assumes regular full-time working hours. Within the project cost, only actual time spent on the project can be taken into account for determining staffing costs. If an individual has other paid activities (e.g. part-time employment elsewhere), then:

- acceptable costs may be accepted only within the tax-exempt limit. This means that individuals with full-time professional employment or academic activities outside the project or a full-time replacement income cannot submit any subsidy claims for such costs.
- the relevant employer is required to ensure that the government does not double-fund these individuals for the same work.

1.4.2 Calculation

Staff costs are estimated on the basis of a standard hourly rate (SHR) multiplied by the time spent on the project according to the timetables included in the Excel cost template.

The SHR is determined by multiplying the gross monthly salary (always based on full-time employment) of the staff member concerned by a coefficient of 1.2% to approximate the total costs of employment. The gross monthly salary is based on the fixed monthly salary stated on the payslip, i.e. without any other allowances or benefits, as these are already included in the 1.2% coefficient.

The gross monthly salary to be used for the budget application is the monthly salary for the 1st project year. For projects spanning multiple years, an annual indexation of 2% may be applied. Upon submission of the final financial report, the actual average gross monthly wage per project year must be reported. VLAIO reserves the right to limit the staffing costs eligible for support upon evaluation.

Example:

A part-time employee who works 20 hours a week in an organization where a full-time employee has a 38-hour contract. The part-time gross monthly wage is EUR 1,500. The full-time gross monthly wages to be submitted in the Excel template is : $\text{EUR } 1,500 \times 38/20 \text{ hours} = \text{EUR } 2,850$. Full-time gross monthly wages $\times 1.2\% = 34.20$. The Excel template will automatically convert the full-time gross monthly wages to the SHR.

Universities, Universities of Applied Sciences, and government bodies have fixed pay scales for their staff. The gross monthly salary to be used for the budget application are the average fixed pay scales for the 1st project year. For projects spanning multiple years, an annual indexation of 2% may be applied. If no wage data are available yet, e.g. because employees are yet to be recruited, the wage costs in question are to be estimated in accordance with the customary costs for similar positions in the organization.

1.4.3 Accountability and monitoring

When evaluating the project application, the VLAIO reserves the right to check the wage costs presented in the application, unless clear arrangements have been made regarding the use of gross wages for wage categories in advance (see below). In the latter case, the agreed wage costs shall be reported for each staff category after an audit.

When the final financial report is submitted, the labour costs must be accounted for using the individual accounts and/or pay slips. The Verification Department or VLAIO Inspection Department may subsequently request additional supporting documents to verify the reported labour costs. The organisations/knowledge institutions with prior agreements about the use of gross wages for employee categories (see below) do not have to provide supporting documents. Verification happens at the time these agreements are made. Organisations that work with government payrolls also do not have to provide individual accounts and/or pay slips. Nevertheless, spot checks remain possible at all times for all organisations.

Organizations that often submit projects or submit particularly sizeable projects may opt to make arrangements with the VLAIO with regard to fixed wage categories (e.g. for engineers, researchers, technicians, lecturers). To do so, please contact the Verification Department by sending an e-mail to verificatie@vlaio.be. These arrangements are monitored annually and updated if necessary. The agreed wage costs are used for the entire project term and for the final settlement process. For projects spanning multiple years, clear prior arrangements are made regarding indexation.

1.4.4 Elements for specific aid instruments

Research and development projects, Feasibility studies, ICON, business projects in Clusters:

In addition to the staffing costs of the business partners submitting the application, employees on the payroll of linked enterprises can also be included in the staffing costs. Just like the business partner submitting the application, they must report these costs with the VLAIO templates. This does not apply to partner enterprises, as all work done by the latter is to be allocated to the third-party services category.

Baekeland and Innovation Mandates:

- The staffing costs are to be reported by the partner where the mandatory is or will be employed.
- Only the staffing costs of the mandatory may be included in the budget (1 employee only).
- The mandatory shall have employee status and shall therefore not be considered a fellow.
- Option 1: The mandatory is an employee of the company (use the code for employees: “e”).
- Option 2: The mandatory is an employee of a knowledge institution (liaise with the HR department or “Research Coordination” department of the institution to decide how to proceed or use the code for barema “b”).
- Option 3: The mandatory transfers from the knowledge institution to the company during the project term. In this case, use separate tabs for the different periods.
- Par-time employment: enter the number of equivalent Person Months over the course of the project term: (e.g. in case of 80% employment as part of a Baekeland project: 9.6 PM in year 1 to year 5).
- The template allows for a maximum term of 6 years for Baekeland mandates and a maximum term of 3 years for innovation mandates. If the intended project term is longer than these limits, e.g. due to part-time employment, please contact the VLAIO.

1.5 Overhead costs

1.5.1 Definition

Overhead costs are costs indirectly related to the execution of the project. These costs are not 100% attributable to the project because they are part of the organization's overall operations.

Examples of overhead costs include:

- The use (rent and maintenance) of buildings and parking lots, office space and meeting rooms, including normal office furniture, supplies and equipment, the cost of heating, lighting, gas, electricity, water, internet, telephone, fax, copies, correspondence and stamps, building insurance and other general insurance;
- Administrative & management costs, and costs for the 'Social Secretariat';
- The development and maintenance costs of a website;
- Cloud infrastructure that isn't specific for the execution of the project;

1.5.2 Calculation

Overhead costs can be calculated by multiplying the number of AWUs performed by the employees on the project partner's payroll with a certain maximum amount set by the VLAIO. Costs billed by employees may therefore not be considered overhead costs. If the applicant cannot substantiate the calculated amount when submitting the application, a lower amount should be used. The initial amount per AWU submitted by the applicant will remain fixed for the entire project.

1.5.3 Accountability and monitoring

In principle, overhead costs need not be justified when submitting the final financial report. The VLAIO does reserve the right to test whether the submitted overhead costs are realistic and to lower this amount if necessary.

1.5.4 Elements for specific aid instruments

For each aid instrument, the applicant can submit a certain maximum amount of overhead costs per AWU, which can vary from one instrument to another but will generally be EUR 25,000/AWU. Any deviations will be stated explicitly in the guide for the aid instrument in question.

Baekeland and Innovation Mandates:

If various different partners incur costs in the context of a Baekeland or Innovation Mandate, the amount of work done by the Mandatary for all non-employer partners must also be reported, expressed in Person Months (e.g. 12 PMs per project year). Because the total overhead costs may be split across the various partners, the total overhead costs per full-time AWU must always be checked in the "total" tab.

1.6 Operating costs

1.6.1 Definition

Operating costs are real costs related to the execution of the project. The total amount allowed for operating costs will be determined during the evaluation of the project application.

1.6.2 Calculation

Operating costs should be consistent with the nature of the activities. There is a variable ceiling for operating costs in the budget proposal, which can be determined by multiplying the number of AWUs by a fixed amount. Below that ceiling, applicants can easily claim back operating costs without providing any additional substantiation. The ceiling may only be broken if the additional operating costs above this ceiling represent at least 10% of the total partner budget. In these cases, however, a detailed substantiation of all operating costs must be provided. This cost summary will also be used to check all costs incurred after the project. If the applicant opts to stay below the maximum ceiling when submitting their budget application, they may change this after the project.

1.6.3 Accountability and monitoring

If the ceiling for operating costs is broken, the actual operating costs shall always be checked in order to assess whether they are realistic. If this project description does not sufficiently demonstrate that the submitted operating costs are necessary for the proper execution of the project, additional information may always be requested during the evaluation process.

For certain aid instruments, the main cost items will have to be briefly explained in the project application. Please refer to the guides of the aid instruments in question for an overview of what information to provide.

The ceiling can only be broken in the final settlement if this was opted for when drawing up the budget. In such cases, no shifts of more than 10% are possible between the budgeted items in the breakdown.

The operating costs must only be listed in a detailed breakdown at the time of final payment if the ceiling was breached at the time of the budget request. The accompanying invoices with the corresponding proofs of payment and other supporting documents must be enclosed.

For those organizations that have prior agreements on operating expenses, the control occurs at the time these agreements are subject to a global audit. However, operating costs must always be justifiable and demonstratable at project level at the end of the project.

1.6.4 Elements for specific aid instruments

Each instrument may impose a certain ceiling on operating costs per AWU, depending on the type of activities for which aid is applied for. This can vary from one instrument to the next, but will generally be EUR 25,000/AWU. Any deviations will be stated explicitly in the guide for the aid instrument in question.

Baekeland and Innovation Mandates:

If various different partners incur costs in the context of a Baekeland or Innovation Mandate, the amount of work done by the Mandatary for all non-employer partners must also be reported, expressed in in Person Months (e.g. 12 PMs per project year). Because the total operating costs may be split across the various partners, the total operating costs per full-time AWU must always be checked in the “total” tab.

1.7 Third-party services

1.7.1 Definition

Third parties such as enterprises, self-employed professionals, freelancers, knowledge centres and research institutions providing services to a project or research partner as a sub-contractor or employees of the project partners who submit invoices for their services are to be categorised under third-party services. Third-party services must be invoiced at market rate, in accordance with European regulations. If a market rate is not available, the organization must provide its services at a rate that covers its costs whilst allowing for a reasonable margin. This category covers both services and custom goods designed specifically for the project. Non-unique goods, e.g. raw materials, should be categorised under operating costs. If the purchased goods are capitalised, they should be categorised under investments. Subcontracted research institutions should preferably invoice their services rendered on the basis of unit costs (e.g. per test, sample, run, hour). In no case should more than half of the total partner project budget be spent on activities outside Flanders. Subcontractors do not share any of the knowledge or risk of the project and cannot claim any rights to the project's results. In negotiating a fair rate for third-party services, the project partner may grant certain rights. In any case, research organizations are to be paid a fair market rate for services rendered.

The costs of third-party services must be broken down into Person Months or some other *cost driver*, which must also be reflected and justified in the project programme. The VLAIO may request to inspect agreements concluded with subcontractors. As with employees on payroll, the VLAIO's default is 1,596 hours or 210 working days for full-time employment.

Third-party services with a total cost amounting to less than EUR 10,000 (ex. VAT) should be categorized under operating costs.

Third-party services can also be provided by linked enterprises or partner enterprises. These costs must be passed on to the branch, Flemish or otherwise, receiving aid. In the case of linked enterprises, these costs must be passed on without a profit markup, must be categorized under third-party services, and be justified in a separate tab in the Excel cost template. Third-party services provided by a partner enterprise need only be invoiced.

For all aid instruments, costs incurred for orientation activities or to safeguard the usability of knowledge accrued during the project can be considered normal project costs. Generally, this includes searches in intellectual property rights databases and the analysis thereof. In principle, these activities are closely linked to other R&D activities and can therefore be expensed as such. Large enterprises and SMEs can categorise these costs under staffing costs (if performed by their own expert staff) or third-party services (if outsourced to third parties, such as the Intellectual Property Department of the FPS Economy, patent or trademark attorneys, IP consultants, legal offices, etc.). In any case, all these activities are considered part of project management, the costs for which are limited to a maximum of 10% of all activities.

1.7.2 Accountability and monitoring

All third-party services included in the budget application must be justified, either by including a quote, an invoice for a comparable assignment, or a substantiated cost estimate. The final financial report must contain a list of all third-party services along with the relevant invoices and cost drivers, as well as proof of payment.

1.7.3 Elements for specific aid instruments

For several instruments, the total share of third-party services is capped at a certain percentage of the accepted budget. For more information, please see the instrument guides.

Development Projects:

IPR (intellectual property registration) costs for activities to protect the project results are eligible for SME aid. By definition, these are costs associated with the formal application or registration process for various intellectual property rights (including patents, trademarks, design protection, plant breeders' rights certificates). These are the costs of the attorney to assist in the application process (i.e.: writing a patent, preparing a design protection application, etc.) and the official fees of the application process (filing fee, novelty search fee, etc.). Acceptable costs are therefore only costs in the case of specialized externals (as third-party services). These costs are capped at EUR 20,000 incl. VAT per innovation project.

1.8 Investments

1.8.1 Definition

The following are considered investments: all capitalized expenditures (tangible fixed assets, under Balance Sheet class 2) on consumer durable goods and other movable or immovable property.

Only depreciation relating to investments that are specifically necessary for the implementation of the project or subsidized activities and that do not belong to the standard equipment of the company or research institution are eligible.

The standard depreciation rate is based on a 5-year period. Other depreciation schedules may be considered in exceptional cases, but they may never be shorter than 3 years.

Depreciation of past purchases is acceptable if it is nominally listed in the project budget and is allocated to the project and if it continues to appear as a depreciating item over the course of the project. Investments are to be allocated on a pro rate basis according to the usage, utilization or occupancy rate and the period of use of the investment good within the project term.

An investment cost must be at least EUR 20,000 (excluding VAT) and must represent at least 10% of the total partner budget, otherwise it must be included within operating costs.

Different investments linked to the construction of one installation (e.g. purchase of different reactors to build a pilot plant) can be included as one investment cost, even if they are supported by different bids.

In the case of an on-balance investment made through financial lease, the monthly payments - based on the runtime of the project and the usage rate of the investment good in question - will be considered, rather than the total sum of the lease contract.

1.8.2 Accountability and monitoring

Investments must be thoroughly justified in the project application and be clearly identifiable in a project budget. The depreciation tables (= a mandatory accounting document for all capitalized expenditures) and a summary of all Class 2 accounts must be submitted with the final report.

Cost transfers during the execution of the project

1.9 Transfers within a partner's budget

Cost transfers between the five cost headings amounting to at least 10% of the full partner budget should be reported and submitted for approval to VLAIO immediately in an amended Excel budget request accompanied by a full justification. It is no longer permitted to report such transfers after the project end date. All transfers, including transfers amounting to less than 10%, must be reported in the next substantive reporting milestone and must be approved by VLAIO in accordance with the reporting requirements for the relevant project type. If the next reporting milestone is the final report, the project consultant should be notified accordingly before the end date of the project.

The total accepted man-months at submission cannot be exceeded in the final financial report unless this increase in man-months is well founded, was justified in an earlier reporting moment and approved by VLAIO.

The maximum approved project budget per partner in a collaborative project cannot be exceeded without permission from VLAIO.

1.10 Transfers between project partners and/or research partners

All transfers between the budgets of project and/or research partners must be requested, justified and substantiated in advance, clearly comparing the old situation with the new situation. Such a budget transfer request must be signed by all contractors involved. After the transfer has been approved by VLAIO, an addendum will be drawn up with the adjusted budget. The total grant amount awarded shall never be exceeded due to budget transfers. Certain aid instruments may impose additional conditions and criteria for transfers between project partners and/or research partners. These conditions and criteria can be found in the relevant guides.

These shifts must be reported during the execution of the project in the next substantive reporting moment as well as approved by VLAIO in accordance with the reporting agreements for the project type in question. So it is not possible to start reporting this yet during the preparation of the final financial and content report.

1.11 Accountability and monitoring

When submitting the final financial report, one need only update the Excel cost template. For any additional conditions or criteria, please see the guides of the respective aid instruments.

Appendices

1.12 Overview of aid instruments and their cost categories

The table in [Annex 1](#) provides a brief overview of the permitted cost categories and the main differences between the various aid instruments.

1.13 Overview of information to be provided in the budget application and final financial report

The table in [Annex 2](#) outlines which costs must be accounted for in which phase and how.

1.14 FAQs

Some frequently asked questions are answered in [Annex 3](#).

1.15 Main changes

[Annex 4](#) lists the main changes from "Manual on the VLAIO cost model version January 2021".

1.16 Process flow submission of financial report with certification

[Annex 5](#) contains a schematic overview of the process flow for submitting the financial report with certification.

Annex 1 : Overview of the various aid instruments and their cost categories

	Baekeland, Innovation Mandates	Development and research projects, Feasibility studies	SPC and SOC projects	COOCK, ICON	TETRA, LATR
staffing costs	Standard Hourly Rate (SHR) with a coefficient of 1.2%				
overheads	Max. 25,000 euro per AWU				
operating costs	Max. 25,000 euro per AWU. Ceiling can only be broken if the additional operating costs above the ceiling represent at least 10% of the total partner budget. In these specific cases, however, a detailed substantiation of all operating costs must be provided.				
third-party services	NA	> 10,000 euro, otherwise under operating expenses			
investments	NA	Per investment cost > 20,000 euro and at least 10% of the total partner budget otherwise under operating costs			NA

Annex 2 : Overview of the minimum information required in the application and final report

Project Phase Cost Category	Budget Application	Final Financial Report
Staffing costs	<p>By default, annual staffing costs are based on a total of 1596 hours per year.</p> <p>VLAIO reserves the right to verify the claimed labor cost as part of the evaluation of the application file.</p>	<p>Wage costs must be demonstrated on the basis of individual accounts and/or pay slips. This does not apply to companies/knowledge institutions that have previously made agreements with VLAIO around the use of gross wages for staff categories or organizations working with government payrolls</p> <p>(see Annex 5: Process flow submission of financial report with certification).</p>
Overhead costs	<p>Overhead costs do not have to be accounted for. By default, a maximum of €25,000/person-year is provided. The VLAIO reserves the right to verify the claimed overhead costs as part of the application evaluation process.</p>	<p>If a lower lump sum than €25,000/AWU was specified in the budget application, the same amount must be reported here. In principle, overhead costs need not be accounted for final settlement.</p>
Operating costs	<p>If the ceiling of 25,000 euro per AWU is exceeded, please substantiate these costs by providing a detailed overview in the Excel cost template.</p>	<p>If the limit was exceeded after approved budget and final financial report, the following items are submitted for the final settlement:</p> <ul style="list-style-type: none"> • a detailed statement (Excel) listing the costs; where applicable, with reference to the invoice date, invoice number, supplier, description, amount excluding VAT, amount including VAT, (structured) communication;

		<ul style="list-style-type: none"> the relevant invoices with corresponding payment receipts bundled by supplier/provider/item; and other supporting documents where applicable. <p>The breakdown and proofs of operating costs in cases where the ceiling was not breached do not have to be provided initially, but one must be able to show them if required by the Verification Department.</p>
Third-party services	These costs must be accounted for by attaching a quote, an invoice for a comparable assignment or a substantiated estimate to the application file or explaining them in in Excel cost template.	<p>The following items are submitted with the final settlement:</p> <ul style="list-style-type: none"> a detailed statement (Excel) listing the costs; where applicable, with reference to the invoice date, invoice number, supplier, description, amount excluding VAT, amount including VAT, (structured) communication; the relevant invoices with cost driver and corresponding payment receipts bundled by supplier/provider/item; <p>If using the support measure for startups, this must be clearly traceable in the company's accounts.</p>
Investments	Investments must be accounted for by attaching depreciation table and balance sheet overview and/or by adding the quote or invoice to the application file or explaining them in in Excel cost template.	The depreciation table and balance sheet overview must be submitted along with the final statement.

Annex 3 : FAQs

Are the grants exempt from corporate tax?²

Grants for projects to which this guide applies are exempt from corporate income tax if the following two conditions are met:

- 1) The aid measure concerns the granting of aid in accordance with European state aid rules (if necessary, reference can be made to the SA number of notification of the relevant decision to the EU Commission)³;
- 2) Grants are awarded as R&D aid by the Fund for innovation and Entrepreneurship.

With regard to accounting for grant income, e.g. R&D grants, and how to record grant income for tax purposes we can state the following:

- 1) **ACCOUNTING:** In summary, we can say that how one should account for grant income depends on the ways in which the assets and/or costs for which the grant is awarded are recorded.
 - a) *grants for investments (expenditures to be capitalized).* The grants should be recorded under liabilities under item "15", for the total amount awarded in the year in question. Thereafter, the grants should be recorded periodically under item "753" as financial earnings, following the same rate as the depreciation on the assets for which the grants were awarded. The Accounting Standards Commission has explicitly documented and explained this methodology in Advisory Document 125/8.
 - b) *grants for costs to be expensed* If the costs for which the grant was awarded relates to interest (to be recorded under code "65"), the grant awarded should be recorded as an interest grant under item "753" in the same fiscal year as the interest. If the costs for which the grants were awarded relate to general expenses (to be recorded under code "60" through "64"), the grants awarded should be recorded as operating grants under the item "74" in the same fiscal year as the general expenses are recorded.
- 2) **TAX:** From a tax point of view, grants awarded by the Regions shall be separately recorded in table I A - taxable retained profit - under item "(j) positive adjustments of the initial state of the reserves" for the entire amount of the grants recorded under items "753" or "74". By doing so, capital grants that were recorded as income for accounting purposes will be deducted from the taxable income in that year.

² See also: <https://www.vlaio.be/nl/begeleiding-advies/financiering/overheidsmaatregelen/veelgestelde-vragen-welke-subsidies-worden>

³ This SA number can be found in the Notice of Award or can be requested from VLAIO.

In a start-up, can I submit staffing costs as a manager/partner even though I don't pay myself a salary (yet) for financial reasons? How does this affect overhead costs and operating costs?

For a company to be considered a startup, it must have been founded less than 6 years before the project application is submitted.

First of all, the cost model states that only real costs are eligible for funding. Consequently, no staffing costs can be submitted if the manager/partner is not able to pay or chooses not to pay themselves a salary in order to maximize the viability of the company.

If the manager/partner is not yet able/willing to pay themselves a salary, but plans to do so retroactively at a later stage and correctly arranges this through a current account, this can be considered an acceptable staff cost by the VLAIO. The current account is an accounting method by which a partner can lend money to or from their company. Generally speaking, there are two situations to distinguish here:

- 1) An independent manager without a management company: Said manager may decide not to take a (net) salary yet and to record all payments to a current account with a view to withdrawing the full amount when this is financially feasible for the company. The VLAIO considers costs recorded under code "618" as considered acceptable costs for third-party services, provided that one can effectively demonstrate that the amount was recorded in a current account. It is important to note that recording costs to a current account also obliges one to pay withholding tax and social security contributions, so we recommend discussing this carefully with your accountant before making this decision. In the final settlement report, you need only show that the wages were recorded to a current account and that monthly or quarterly withholding tax and social security contributions were paid.

In summary, this cost type is eligible for funding and may lead to disbursements at a later stage. However, there are fiscal consequences with regard to tax and social security, both for the company and for the private assets of the manager.

- 2) An independent manager with a management company: The manager can send an invoice for services rendered to the company applying for aid, of which the manager/partner is also a shareholder. On this invoice, the manager can state that it does not have to be paid immediately, imposing a payment term of certain number of months. The tax authorities do require that a fair interest rate be charged. Both companies can also record this invoice on a current account.

If a current account is being used during the project duration, the acceptable gross monthly salary is capped at EUR 8,500/PM.

Managers and cooperating partners listed in the company's share register can categorize their PMs under Staffing costs (use code "o") to help determine the operating costs ceiling. This, of course, also applies if they were not pay themselves or were only to pay themselves partially.

In the final settlement report, you need only show that the wages were recorded to a current account and that monthly or quarterly withholding tax and social security contributions were paid. In addition, the balance of the current account at the start of the project and the balance at the end of the project should be confirmed by the company's accountant.

For more information, please contact the Verification Department at verificatie@vlaio.be.

Which costs are not eligible for inclusion in a project budget?

The following costs may never be included in a project budget:

- VAT (**exception**: if the subsidy programme does not fall under the European state subsidy rules, non-recoverable VAT does qualify);
- costs for profit-related bonuses, such as shares and options;
- depreciation on production infrastructure;
- costs of purchasing buildings and land;
- loss of profit
- profit mark-ups in transactions within a group or between partners, including when applying transfer prices between branches of companies;
- interest;
- bad debts;
- all commissions
- costs for non-eligible activities (please see the guides for more information).

For more information, also see the specific rules for each aid instrument.

What about cumulative aid?

When calculating the total grant amount, the VLAIO will take any other public aid received for the same costs into account. The applicant/recipient of VLAIO grants has a duty to report any other public aid received to the VLAIO (see Article 7.1.1. General Terms & Conditions for Innovation Aid). In no case may the aid intensity rates set by the General Block Exemption Regulation be exceeded.

If the grant is awarded under the De-Minimis rule (this is clearly indicated in the guide), it is up to the grant recipient to monitor that the aid received by them does not exceed the maximum aid ceiling.⁴ This is also stated in the grant agreement. A similar approach applies for grants awarded as Start-up Aid⁵: again, it is up to the grant recipient to monitor whether the maximum permitted aid ceiling is exceeded.

⁴ For more information about the De-Minimis rule, see: <https://www.vlaio.be/nl/begeleiding-advies/financiering/overheidsmaatregelen/veelgestelde-vragen-de-minimis>

⁵ Art. 22 General Block Exemption Regulation or GBER; For the application of Article 22 of the GBER to distressed companies, see: <https://www.vlaio.be/nl/subsidies-financiering/onderzoeksproject/voorwaarden/ondernemingen-moeilijkheden-komen-niet>

Annex 4 : Main changes

Staff costs: The number of reported hours on annual basis is set at 1,596 hours.

Overhead costs: Invoice-based employees with a long-term formal commitment to the company can no longer have their man-months counted towards the overhead cost determination but only towards the working cost ceiling.

Operating costs: Operating costs when submitted can amount to a maximum of EUR 25,000/person-year. No further details are required at the time of evaluation (note: this is not a lump sum. At the final settlement, one must be able to document these costs if required by the Verification Department). The ceiling of EUR 25,000/person-year can only be broken if the extra operating costs above this ceiling account for at least 10% of the total partner budget. In such cases, of course, details of all operating costs are always required.

Investments: The total of this heading should be at least 10% of the total partner budget. Each separate depreciation cost should also be at least EUR 20,000 (excluding VAT). Otherwise, these costs should be shifted to operating expenses.

A standard depreciation period of 5 years is applied for investments. This can only be deviated from in exceptional cases but without the depreciation rate falling below 3 years.

Various investments linked to the construction of one installation (e.g. purchases of several reactors to build a pilot installation) can be grouped together to get above the cut-off value of EUR 20,000.

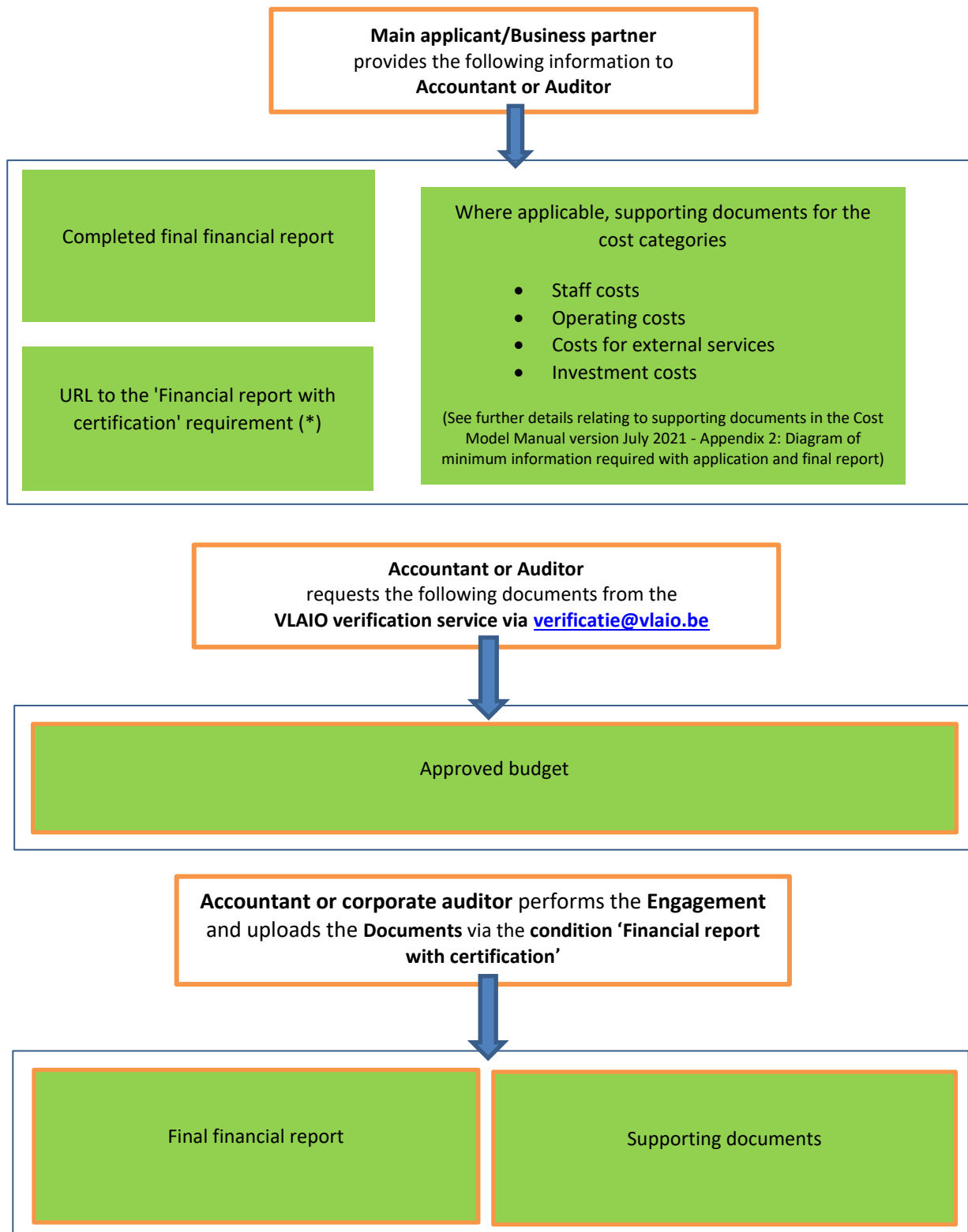
Justification and verification:

If the number of man-months submitted in the final financial report exceeds the number of budgeted man-months at the time of evaluation, these will always be capped at the time of verification audit, unless this increase was justified in an earlier reporting moment and approved by VLAIO.

Shifts between the 5 cost headings within the partner's budget are only possible of more than 10% of the total partner budget and provided they were requested during the project period.

For the Excel-template of the final financial report, an (internal) (certified) (fiscal) accountant or corporate auditor is engaged to perform the Engagement. The cost of performing this Engagement may be included as operating expenses. Only in companies/organizations that have previously made agreements on the use of gross salaries for staff categories (so-called scales) can this final financial report be uploaded by the organizations legal representative.

Annex 5: Process flow submission of the final financial report WITH CERTIFICATION



(*) As a result, the legal representative gives power of attorney to the accountant or corporate auditor to upload the required reports.

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