



Vlaanderen
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Guide to the VLAIO cost model

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1 Introduction

1.1 Purpose of the cost model

This document presents guidelines for (i) drawing up the project budget, (ii) adjusting the budget during the course of the project (if necessary) and (iii) the final financial report.

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.

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

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, further explained in Chapter 2:

- Staffing costs;
- Overhead costs;
- Operational 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 Appendix 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. Per partner, no more than half of the project budget submitted to VLAIO may be spent on activities outside Flanders. These rules may differ in guides for specific programs, 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. For the sake of inspections and audits by the Agency for Innovation and Entrepreneurship, 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. This Excel cost template must be completed for each project partner and must, for project consortiums, be supplemented with a total summary of all partners involved.

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

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: 12 Monthly Work Units = 100% = 1 Annual Work Unit (AUW)

It is up to the organization to determine how many days and hours comprise such an Annual Work Unit, albeit within certain limits. The upper limit is: 1 AUW = 226 working days = 1,720 hours. The lower limit is: 1 AUW = 210 working days = 1,596 hours.

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. **Third-party services** are explained in greater detail in §2.4.

¹ More information about the Block Exemption Regulation can be found here: <https://eur-lex.europa.eu/legal-content/NL/TXT/PDF/?uri=CELEX:32014R0651>

2 Cost categories

2.1 Staffing costs

2.1.1 Definition

This category may only be used for staffing costs for workers employed by the project partner(s). The costs of invoices submitted by self-employed professionals, including managers contracted by management companies, are considered third-party services (see §2.4 Third-party services).

Acceptable staffing costs must be calculated for all members of staff directly involved in the execution of the project. In addition to contracted staff, appointed staff members (such as Main Academic Staff and tenured staff) who have made a direct contribution to the project and are paid as part of the general operating resources of the research institute or government agency in question, can also be funded as part of a project. In this case, the employer is obliged to ensure that the government does not provide double funding for the same work.

The cost model is based on standard, full-time employment, but only time actually spent on the project can be used to calculate the overall staffing costs. Any staffing costs submitted for a person with other paid work (e.g. part-time employment elsewhere) must be based on this person's 'free time'. In other words, no costs can be submitted for people with full-time employment outside the project or with a full-time replacement income.

2.1.2 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/basic monthly salary/fixed compensation, 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. Agency Innovation and Entrepreneurship reserves the right to limit the staffing costs eligible for support upon evaluation.

Example:

A full-time employee with a 38-hour contract spends 20 hours a week working on the project. Their part-time gross monthly wages are EUR 1,500. The full-time gross monthly wages to be submitted are : $\text{EUR } 1,500 \times 38/20 \text{ hours} = \text{EUR } 2,850$. Full-time gross monthly wages $\times 1.2\% = \text{SHR of EUR } 34.20$. 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 estimated staffing costs presented in the project budget must be as accurate as possible, especially with regard to gross wages, the employer's legal obligations and any benefits enjoyed by the employees concerned during the project term. 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.

2.1.3 Accountability and monitoring

When evaluating the project application, the Agency for Innovation and Entrepreneurship 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.

Upon submission of the final financial report, the Verification Department or Inspection Department of the Agency for Innovation and Entrepreneurship may request additional supporting documents to check the reported wage costs. For organizations that have made prior arrangements with regard to the use of gross wages for certain staff categories (see below), this check will take place when the arrangements are made. Nonetheless, these organizations remain subject to random checks.

Organizations that often submit projects or submit particularly sizable projects may opt to make arrangements with the Agency for Innovation and Entrepreneurship with regard to fixed-wage categories (e.g. for engineers, researchers, technicians, lecturers). To do so, please contact the Verification Department of the Agency for Innovation and Entrepreneurship. 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.

2.1.4 Elements for specific aid instruments

Research and development projects, 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 Mandatary is or will be employed.
- Only the staffing costs of the Mandatary may be included in the budget (1 employee only).
- The Mandatary shall have an employee status and shall therefore not be considered a fellow.
- Option 1: The Mandatary is an employee of the company (use the code for employees: "e").
- Option 2: The Mandatary 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 (payroll) "b").
- Option 3: The Mandatary 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 Monthly Work Units over the course of the project term: (e.g. in case of 80% employment as part of a Baekeland project: 9.6 MWU in yr 1 to yr 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 Agency for Innovation and Entrepreneurship.

2.2 Overhead costs

2.2.1 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.

2.2.2 Calculation

Overhead costs can be calculated by multiplying the number of man-years of work performed by the project partner(s) with a certain maximum amount set by the Agency for Innovation and Entrepreneurship. If the applicant cannot justify 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.

2.2.3 Accountability and monitoring

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

2.2.4 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 Monthly Work Units (e.g. 12 MWUs 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.

2.3 Operating costs

2.3.1 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.

2.3.2 Calculation

Operating costs should be consistent with the nature of the activities. There is a variable ceiling for operating costs, which can be determined by multiplying the number of AWUs by a fixed amount. Below that ceiling, applicants can easily claim back operating costs by adding a brief explanation to the budget application. In exceptional cases where the operating costs exceed the aforementioned ceiling, a detailed cost summary must be provided in a separate tab in the Excel cost template to justify these costs. 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 not change this after the project.

2.3.3 Accountability and monitoring

During the application evaluation, the operating costs will be checked in order to assess whether they are realistic, based primarily on the project description. 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 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.

Prior to final settlement, the Agency for Innovation and Entrepreneurship may request proof of the costs incurred for verification purposes. Invoices and other supporting documents do not need to be submitted in the first instance. Only in those exceptional cases where the ceiling for operating costs is exceeded should an overview of the operating costs be sent as justification at the end of the project along with all invoices and other supporting documents. At that time, no budget transfers exceeding 10% may be made between the various budgeted items.

For organizations that have made prior arrangements with regard to operating costs, this check will take place simultaneously to the general audit of said arrangements. However, operating costs must always be justifiable at project level.

2.3.4 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 Monthly Work Units (e.g. 12 MWUs 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.

2.4 Third-party services

2.4.1 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 categorized 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 categorized under operating costs. If the purchased goods are capitalized, they should be categorized 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 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 (see also §1.3).

The costs of third-party services must be broken down into Working Units or some other *cost driver*, which must also be reflected and justified in the project program. The Agency for Innovation and Entrepreneurship may request to inspect agreements concluded with subcontractors.

Third-party services with a total cost amounting to less than EUR 10,000 (ex. VAT) should be categorized under operating costs (§2.3).

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 categorize 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.

2.4.2 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.

2.4.3 Instrument-specific elements

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.). Only costs incurred for services provided by specialized, subcontracted third parties shall be deemed acceptable. These costs are capped at EUR 20,000 incl. VAT per innovation process. The aid granted to cover these costs may only be used for IP protection for the activities described here. These costs must be incurred during the project term, although a limited extension of the project term may be requested for these IPR costs. A copy of effective submission or registration of the intellectual property right is to be attached to the final project report. Furthermore, the costing scheme of the project activities involved should be followed.

2.5 Investments

2.5.1 Definition

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

Only depreciation related to investments that are specifically necessary for the execution of the project or funded activities are eligible.

Investments are to be depreciated in accordance with the depreciation rate specified by law. If deviations are permitted for specific investments by law or according to accounting standards (e.g. a 3-year depreciation rate for portable computers), said deviations shall also be accepted.

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.

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.

Purchases that are depreciated less than EUR 20,000 (ex. VAT), considering the usage, utilization, or occupancy rate during the project term, are to be categorized as operating costs (§2.3).

2.5.2 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 to the Agency for Innovation and Entrepreneurship with the final report.

3 Cost transfers during the execution of the project

3.1 Transfers within a partner's budget

In some cases, a project may not go as planned, which is why all project partners are free to use the allocated resources as optimally as possible to achieve the innovation goal. Within each project partner's own full budget, transfers between the five cost categories are allowed, with the only restriction being that overhead costs may never exceed EUR 25,000/AWU.

The maximum approved project budget per partner may not be exceeded without permission from the Agency for Innovation and Entrepreneurship.

During the project, VLAIO must be notified of and approve major transfer of >10% in the first report after the transfer, in accordance with the agreements made with regard to reporting for the project type in question and prior to the submission of the final report. If the reported AWUs change by more than 10% compared to the initial estimated workload, said change must be reported to and approved by the project adviser at the end of the reporting interval in question.

3.2 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 the Agency for Innovation and Enterprise, 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.

3.3 Accountability and monitoring

When submitting the final financial report, one need only update the Excel cost template. If one or more partners have made transfers between categories that comprise of more than 10% of their total budget, they are requested to substantiate these transfers by providing a summary of costs incurred and explaining the reasons for these transfers in their reports. Any transfers below this amount are considered marginal and need not be justified. Major transfers that are not justified in the final report will not be approved. For any additional conditions or criteria, please see the guides of the respective aid instruments.

4 Appendices

4.1 Overview of aid instruments and their cost categories

The table in Appendix 1 provides a brief overview of the permitted cost categories and the main differences between the various aid instruments.

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

The table in Appendix 2 outlines which costs must be accounted for in which phase and how.

4.3 FAQs

Some frequently asked questions are answered in Appendix 3.

APPENDIX 1: OVERVIEW OF THE VARIOUS AID INSTRUMENTS AND THEIR COST CATEGORIES

	Baekeland, Innovation Mandates	Development and research projects	SPC and SOC projects	COOCK, ICON	TETRA, LATR
staffing costs	Standard Hourly Rate (SHR) with a coefficient of 1.2%				
overheads	Max. € 25,000/person/year				
operating costs	Max. € 25,000/AWU or detailed summary				
third-party services	NA	> €10,000, classify under operating expenses if lower			
investments	NA	> €20,000, classify under operating expenses of lower			NA

APPENDIX 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. Please explain any upward deviations in the Excel cost template. The Agency for Innovation and Entrepreneurship reserves the right to check the claimed staffing costs as part of the application evaluation process.</p>	<p>At the request of the Agency for Innovation and Entrepreneurship, wage slips must be prevented to account for the reported staffing costs. If the reported AWUs change by more than 10% compared to the initial estimated workload, said change must be explained in the Excel cost template and the final report.</p>
Overhead costs	<p>Overhead costs do not have to be accounted for. By default, overhead costs are estimated at EUR 25,000/AWU. The Agency for Innovation and Entrepreneurship 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>A brief explanation in the Excel cost template is sufficient if the ceiling of €25,000/AWU is not exceeded. If this is the case, you are asked to justify these costs by means of a detailed overview in the Excel cost template.</p>	<p>If the ceiling of €25,000/AWU was exceeded, these costs must be accounted for via a detailed statement together with all invoices and other supporting documents. Parties must always be able to account for their operating costs upon request.</p>

<p>Third-party services</p>	<p>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>	<p>The invoice with cost driver and the proof of payment must also be enclosed. If using the support measure for startups, this must be clearly traceable in the final settlement report.</p>
<p>Investments</p>	<p>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.</p>	<p>The depreciation table and balance sheet overview must be submitted along with the final statement.</p>

APPENDIX 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 start-up, 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 Agency for Innovation and Entrepreneurship. 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 Agency for Innovation and Entrepreneurship 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.

In both of the above cases, the maximum acceptable gross monthly salary for this third-party service is capped at EUR 5,000/MWU.

Managers and cooperating partners listed in the company's share register can categorize their MWUs under staffing costs (use code "o") to still generate overhead. 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 attested by the company's accountant.

For more information, please contact the Verification Department of the Agency for Innovation and Entrepreneurship 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:

- recoverable VAT;
- 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 Agency for Innovation and Entrepreneurship 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 Agency for Innovation and Entrepreneurship (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

In particular, if the beneficiary of the aid is a Young Innovative Company (YIC) that receives state aid through a partial exemption from withholding tax, the aid will be adjusted to comply with the General Block Exemption Regulation. Ideally, in this situation, another measure to partially exempt a company from withholding tax should be applied without having to reduce the amount of VLAIO innovation aid granted. For more detailed explanations, please see the Explanatory Memo on "Research & Development Projects" version 2.2, Appendix 1.

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 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 and any subsequent amendments EU (Official Journal of 26 June 2014, L 187/1)

⁵ For more information about the De-Minimis rule, see: <https://www.vlaio.be/nl/begeleiding-advies/financiering/overheidsmaatregelen/veelgestelde-vragen-de-minimis>

⁶ 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>

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