

Budget Guidelines

Round of applications: Spring 2018

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INTRODUCTION

These guidelines provide you with step-by-step assistance in drafting a project budget, which is an important element of the written application documents submitted to the Market Development Fund. Please remember that you must use the Market Development Fund's budget form.

The Market Development Fund grants state aid under the block exemption scheme. Therefore, this does not involve de minimis aid.

The project budget is crucial for your application, as the Fund will determine whether there is coherence between the project activities and expected costs, and whether the expenses are eligible for aid. This means that it is important for the project budget to be as accurate and realistic as possible. The Fund realises that the project budget can change as the project moves forward, and it will be possible to approve these changes if they are well-founded. However, you must be particularly aware of the fact that it will not be possible for a project to increase the total funding committed. Consequently, the total amount of aid applied for will constitute the maximum framework for the co-financing that you will be able to receive from the Market Development Fund.

Before drawing up the project budget, it is important that you familiarise yourself with the types of expenses eligible for co-financing.

ELIGIBLE CO-FINANCING EXPENSES

The Market Development Fund co-finances projects comprising testing and adaptation activities. Testing and adaptation is defined as trials of a prototype or service in an actual situation of use at prospective customers or end-users. Therefore, at the time of submitting an application, a technically validated and functional prototype or service must be available and ready for testing in the project. Based on the test results from prospective customers and end-users, the final perfection of the product or service is carried out to make it fully ready for market launch.

The Fund does *not* co-finance projects that appear to be ordinary further development of a product or a service that is already on the market.

Nor does the Fund co-finance activities included in an enterprise's normal operations, such as sales and marketing,

general export activities, competency development for the employees, operating its value chain or upgrades of manufacturing equipment.

Eligible for aid: costs that may be co-financed by the Fund

Costs eligible for aid are expenses relating to the testing and adaptation of your product/service in a situation of use at test users. Costs eligible for aid can be:

- Direct wage costs
- Depreciation of instruments and equipment during the project period
- Materials
- Service, consultation and technical knowledge relating to:
 - Conceptual formulation
 - Planning
 - Development and manufacture of test elements.
 - Test documentation of a prototype or service and the summarising of results and documentation
- Purchase or licensing of knowledge and patents from external sources (provided that this constitutes a limited share of the project's total costs eligible for aid). Such purchases or licensing must be done on arm's length conditions. This means that there must not be any conflict of interest between the buyer and seller.
- Project-relevant costs for the taking out and validation of patents and other intellectual property rights incurred during the project period (applies to SMEs only).
- Project-related expenses for an accountant
- Project-related travel costs (**Note that food costs during travel are not eligible**).

The core activities of a project must primarily be embedded with the project holder and the project partners, as it is assumed that the expertise for implementing the significant parts of a project are linked to the cooperation cluster. External costs in the form of consultancy may thus only constitute a minor percentage of the total project costs.

Note:

- The depreciation of instruments and equipment may only be included in the period during which they are

used in the project and at a maximum for the entire project period. The depreciation is calculated on the basis of good accounting practice.

- Any market or scrap value of the prototype after the project period, as well as any payments received from test users during the project, must be deducted from the total project budget.
- Any income from the selling of aid-funded materials must be offset in the accounts during the project.

The following costs are not eligible for aid (the list is not exhaustive):

- Costs for marketing and sales activities
- VAT for a project holder or partners who are registered for VAT
- Costs relating to the preparation of the application
- Financial costs (interest, etc.)
- Test user payments for other project partners in the form of testing subscriptions, charges, etc.
- Costs related to the payment of a partner to another partner in the same project
- Costs related to competency development
- Costs related to rent payment, stock e.t.c.

STEP-BY-STEP GUIDELINES FOR FILLING IN THE BUDGET FORM

Note: Be particularly aware of the boxes “Udspecificering af budgetposter” (specification of budget items). If these are not filled in, your application will be rejected, as it will not be possible to determine the accuracy of the budget.

There are a number of tabs in the Excel sheet for the budget form that you must fill in. You can switch between the tabs at the bottom of the Excel sheet. The first tab is a brief overview of the project plan’s work packages.

The second tab specifies the total budget and financing. The next tab specifies the project holder’s budget. The remaining tabs constitute the budget for each of the partners, if relevant, in the project.

The online application module has an example of a correctly completed budget form.

The first tab, “Projektplan” (project plan), is an overview of the project plan you prepared in a separate Word template. This specifies the project’s work packages during the project period. The names of the work packages used in the project plan must be cited word-for-word, and similarly the starting and ending dates must correspond with what is specified in the project plan.

It is important that the project plan and the project are considered as a whole, as you must draw up your budget on the basis of the work packages. The budget and the project plan jointly form the basis for the project’s semi-annual reporting to the Fund in the event of a funding commitment.

The subsequent tabs are automatically divided according to the project plan. Do not edit the “Totalbudget” (total budget) tab, as the figures from the budgets of the project holder and any partners are automatically transferred and summed up on this tab.

On the subsequent tabs, you must fill in the budget for the project holder and any partners by filling in the white cells. Some of the fields on the page are already filled in (shaded in grey) from your previous entries in the application form and cannot be edited.

“Lønudgifter” (wage costs) column: This is where you enter the wage costs for project employees. This is done separately for the project holder and any project partners.

Wage costs eligible for aid only include the time spent directly on implementing the project, including project management, multiplied by the employees’ actual hourly wage. An accountant must be provided with documentation during the project to verify that the actual wages of the employees are included. Similarly, the Danish Business Authority has the option of asking for documentation of wages before issuing a commitment of funding or during a project, if deemed necessary.

The actual hourly wage is calculated by dividing the employees gross salary by 1613 hours (this is the annual working hours of the employee not including holidays e.t.c.)

Example: An employee with a gross salary of 55.000 kr. pr. month has an annual gross salary of 660.000 kr. The annual gross salary is divided by 1613 hours, resulting in an hourly gross wage of 409 kr.

In calculating the gross wages for an employee, you can include holiday-entitled wages, employer-paid pension costs, payment for own pension (if it is included in the basic wage and is holiday entitled), ATP and any bonus awarded by collective agreement.

In order for us to be able to assess the project budget, you must fill in an overview of the persons included in the project together with the project budget. This must include the project holder and any partners, specifying the name, title, number of hours and wages. You must use the Market Development Fund’s template.

If, on the application date, you expect to hire new employees to be included in the project, but who are not yet employed, you must remember to budget the costs of these employees, as it will not be possible to increase the amount of funding once any commitment of funding has been issued. You must also remember to include expected new employees in the overview of persons who will be included in the project. The expected title, number of hours and hourly wages of these individuals must be specified here. Note: After engaging employees, you will have to document these hourly wages to your accountant.

Note: If you own or co-own an enterprise included in the project, and you put hours into the project without receiving wages for yourself, you can include these hours in the project budget at an hourly rate of DKK 250. However, you may at most include 1,613 hours each year in the project budget, and by no later than the project completion, you must be able to document to an accountant that the funding for these hours is taken out in wages.

Example: You own a small enterprise included in a project under the Market Development Fund, and you do not take out wages for yourself. You expect to put 100 hours into the project. Therefore, you may receive 100 hours x DKK 250 = DKK 25,000 in the project budget.

As a small enterprise, you may receive a payment of aid for up to 45% of your costs. Thus, you may receive a payment of 45% of DKK 25,000 = DKK 11,250 in aid, if you have used all 100 hours in the project. In order to have aid disbursed for your wage costs, you must be able to present an hourly wage specification of 100 hours in the project to an accountant no later than at the completion of the project, and you must be able to document that you have taken out aid in the amount of DKK 11,250 in wages.

“Tilskudsprocent” (aid percentage) column: There is an aid-percentage column under the budget’s financing section on the tabs for the project holder and for any partners you have added. You must specify the aid percentage you are applying for in the uppermost field of this column. The actual aid amount will be automatically calculated based on the aid percentage you specify.

Please note that the aid percentage for your enterprise may differ from the aid percentage of any partners. The aid percentage that can be applied for is determined by the size of the enterprise and whether the project is a cooperation project (see p. 8, “Calculating the enterprise’s size and aid percentage”).

“Overhead” column: This column is automatically filled in and calculates a 20 pct. overhead of the wage costs, which is the standard rate of the Market Development Fund.

“Egen medfinansiering” (internal co-financing) column: Based on the aid percentage, indicate how much is contributed by the project holder and each individual partner to the project in terms of internal co-financing.

In this specification, you must also explain how the project holder and any partners ensure that the project has the liquid resources required for implementation. This could be, for instance, an investor acknowledging that it will finance the project costs, an overdraft facility, or the fact that the enterprise itself has the cash resources to provide its own co-financing of the project, etc.

“Anden offentlig finansiering” (other public financing) column: If the project is currently or is expected to be co-financed by public funds other than the Market Development Fund (municipality, region, other state funds or the EU), this financing must be specified in this column.

If the project is currently, or is expected to be, financed by other public funds, you must specify the other public authority from which these funds will originate in the “Udspecificering af budgetposter” (specification of budget items) box.

“Direkte eksterne omkostninger” (direct external costs) column: The budget’s “Direkte eksterne omkostninger” (direct external costs) column is filled in automatically after you have filled in the form “Direkte eksterne omkostninger” (direct external costs) under the general budget form on the tabs for project holder and any partners.

The different columns in “Direkte eksterne omkostninger” (direct external costs) involve any budget items that are not wage costs. This means expenditure for consultants, travel, instruments, equipment, materials, etc.

Konsulentbistand (consultancy services): You must specify an hourly wage multiplied by the expected number of hours, as well as any plans for calling for tenders for the task in the box “Udspecificering af budgetposter” (specification of budget items).

Remember that the core activities of a project must primarily be embedded with the project holder and the project’s financial partners, as it is assumed that the expertise for implementing the important parts of a project is linked to the cooperation cluster. Thus, consultancy services may only constitute a minor percentage of the total project costs.

Rejseomkostninger (travel costs): Costs relating to project-relevant travel. You must specify the costs of the individual travels in the box “Udspecificering af budgetposter” (specification of budget items). Note that food costs during travel are not eligible for aid.

Instrumenter og udstyr (instruments and equipment): Any expenses for acquiring various relevant and necessary instruments and equipment for carrying out the project.

Remember that only the *depreciation* of instruments and equipment during the project period is eligible for aid (see further details in the section on page three “costs eligible for aid”). You must specify the costs and how the depreciation value is calculated in the box “Udspecificering af budgetposter” (specification of budget items).

Materialer (materials): Any expenses for acquiring various relevant and necessary materials for carrying out the project.

Remember to offset any market or scrap value in the column “Eventuel markeds- eller scrapværdi” (any market or scrap value). Negative amounts must be entered in brackets, fx. (10.000) kr. Furthermore, you must specify the costs for materials in the box “Udspecificering af budgetposter” (specification of budget items).

Revision (audit): Costs for auditing the project’s financial statements, etc. This item does not need to be specified in the budget.

Please note that the project’s financial statements are required to be audited, which is why it is advisable to include the auditing costs in the budget.

Andet (other): Your project can have other types of direct external costs that are not mentioned in the standard form. You must specify the costs in the “Andet” (other) column,

as well as specify the costs and what they comprise in the box “Udspecificering af budgetposter” (specification of budget items).

Eventuel markeds- eller scrapværdi (any market or scrap value): You must specify any expected market value of the finished product or products after the completion of the project in the “Udspecificering af budgetposter” (specification of budget items) box. You must do this because this information involves project income. Therefore, you must either estimate the market value or alternatively the scrap value, if you do not expect the project to have market value. You must make sure to deduct this from the total project budget in the “Eventuel markeds- eller scrapværdi” (any market or scrap value) column, under the direct external costs.

Eventuelle indtægter fra testbrugere (any income from test users): If you expect to receive payment from test users, specify this in the column “Eventuelle indtægter fra testbrugere” (any income from test users). Negative amounts must be entered in brackets, f.x. (10.000) kr. Test users must pay to use the solution if the solution tested and adapted in the project replaces an existing solution and thus creates direct, immediate value for the testing site.

The payment must reflect the utility value of the specific solution in a given period, but it must take account of the fact that the users are part of a test.

CALCULATING THE SIZE OF THE ENTERPRISE AND THE AID PERCENTAGE

Your enterprise's size is significant for the amount of aid the enterprise may receive from the Market Development Fund (see Table 1 on the following page). The size of the enterprise is determined by EU definitions:

Small enterprises have fewer than 50 employees and an annual turnover and/or an annual balance sheet total of not more than DKK 75 million (10 million euro).

Small enterprises are eligible for aid of up to 45 pct.

Medium-sized enterprises have fewer than 250 employees and annual turnover of not more than DKK 375 million (50 million euro) and/or an annual balance sheet total of not more than DKK 320 million (43 million euro).

Medium-sized enterprises are eligible for aid of up to 45% for a cooperation project.

Large enterprises have more than 250 employees and annual turnover of more than DKK 375 million (50 million euro) and/or an annual balance sheet total of more than DKK 320 million (EUR 43 million).

Large enterprises are eligible for aid of up to 40% for a cooperation project.

You can see more in the table on the next page.

The EU definition differentiates between *autonomous* and *partner* enterprises. Therefore, you should be aware of whether your enterprise is autonomous or linked with other enterprises.

AUTONOMOUS ENTERPRISES

Most SMEs are autonomous enterprises, i.e. your enterprise has a holding of less than 25% in another enterprise (capital or voting rights) and/or no other enterprise has a

holding that is equal to or greater than 25% in your enterprise. If your enterprise is autonomous, you must only include the enterprise's own employees, turnover and balance sheet in calculating your budget.

NON-AUTONOMOUS ENTERPRISES

If, on the other hand, your enterprise is not independent of other enterprises, i.e. if it is a linked enterprise, for instance, you must consider whether these enterprises' headcount, turnover and balance sheet should be included in your enterprise's data. In brief, the EU uses the following categories for enterprises that are not autonomous:

Partner enterprises Your enterprise has a holding that is equal to or greater than 25% but does not exceed 50% (capital or voting rights) in another enterprise, and/or another enterprise has a holding that is equal to or greater than 25% but does not exceed 50% in your enterprise. If this is the case, you must add a proportionate percentage of the other enterprise's headcount, turnover and balance sheet to your own data.

Linked enterprises Your enterprise holds more than 50% of the shareholders' voting rights in another enterprise and/or another enterprise holds more than 50% of the voting rights in your enterprise. If this is the case, all the data from the linked enterprise must be added to the data for determining the size of your enterprise.

If your enterprise is a partner enterprise or a linked enterprise, you can find an in-depth explanation of how to calculate the size of your enterprise in the European Commission's guideline for the new definition of small and medium-sized enterprises. You can download the guideline here:

http://ec.europa.eu/enterprise/policies/sme/files/sme_definition/sme_user_guide_da.pdf

TABLE 1: MAXIMUM AID PERCENTAGE FROM THE MARKET DEVELOPMENT FUND

The size of the aid percentage you may apply for from the Market Development Fund depends on the enterprise size of the project holder and any partners.

Be aware of the fact that changes to the breakdown of costs between the project participants *during* the project may be consequential for the aid percentage.

The individual project participant's maximum aid percentage may differ (see the table below).

Experimental development ¹	Maximum aid percentage from the Market Development Fund		
	Small enterprises ²	Medium-sized enterprises ³	Large enterprises ⁴
Basic aid for the individual enterprise	45%	35%	25%
<p>An increase of 10 percentage points for a medium-sized enterprise or 15 percentage points for a large enterprise is allowed in the following instances:</p> <p><i>Either</i></p> <p>1 Genuine cooperation between autonomous enterprises,</p> <p style="padding-left: 20px;"><u>1.1</u> of which at least one enterprise is a medium-sized enterprise or where the project is carried out in at least two member states or in a member state and with a contracting party of the EEA agreement, and</p> <p style="padding-left: 20px;"><u>1.2</u> no enterprise defrays more than 70% of the expenses eligible for aid for the project,</p> <p><i>or</i></p> <p>2 a genuine cooperation between one enterprise and one or more research and knowledge-disseminating institutions where</p> <p style="padding-left: 20px;"><u>2.1</u> the latter defrays at least 10% of the expenses eligible for aid for the project, and</p> <p style="padding-left: 20px;"><u>2.2</u> has the right to publish its own research results.</p>	-	45%	40%

¹Aid from the Market Development Fund for the market development of services and products is considered state aid and falls with the European Commission's general block exemption scheme's support for R&D projects and the provisions on "experimental development" (EU no. 651/2014).

² Small enterprises are enterprises employing fewer than 50 persons and having an annual turnover and/or an annual balance sheet total that does not exceed DKK 75 million (EUR 10 million).

³ Medium-sized enterprises are enterprises employing less than 250 persons and having an annual turnover not exceeding DKK 375 million (EUR 50 million) and/or an annual balance sheet total not exceeding DKK 320 million (EUR 43 million).

⁴ Large enterprises are enterprises employing more than 250 persons and having an annual turnover of more than DKK 375 million (EUR 50 million) and/or an annual balance sheet total of more than DKK 320 million (EUR 43 million).

Public players may apply for up to 45% aid from the Market Development Fund.

A public player is defined as a body

- a) that is specifically created to accommodate general public needs that are not of an industrial or commercial nature, and
- b) whose majority of operations are financed by state, regional or local authorities or other bodies that are public as defined by law. Or if these operations are subject

to the control of these authorities. Or in instances where state, regional or local authorities or other bodies that are defined by law as public appoint more than half of the members of the administrative, managerial or supervisory body.

A public body may only give rise to an increase of the aid percentage by 10 or 15 percentage points respectively if this involves genuine cooperation between an enterprise and a research institution (see point 2 of the table).