



Standard terms and conditions of special grants of the Ministry of Economic Affairs and Employment

Standard terms and conditions – contents

1 OVERVIEW	2
1.1 Name of the standard terms and conditions	2
1.2 Validity of the standard terms and conditions	2
1.3 Scope of the standard terms and conditions, and applicable statutes	2
1.4 Obligation to comply with terms, conditions and restrictions	2
1.5 Openness of the government grant decision and of the information on the discretionary government grant	3
1.6 Payment of the discretionary government grant	3
1.7 Terms and conditions concerning the procurement procedure	3
1.8 Other terms and conditions related to general matters	5
2 GENERAL PRINCIPLES OF THE USE OF THE DISCRETIONARY GOVERNMENT GRANT	6
2.1 Obligation to arrange the monitoring of the use of the discretionary government grant	6
2.2 Using the discretionary government grant for an approved purpose	7
2.3 Terms and conditions related to redistribution	7
2.4 Restrictions concerning the period of use	9
2.5 Restrictions and obligations related to the use of property purchased with the discretionary government grant	9
2.6 Changing the special terms and conditions specified in the government grant decision	9
2.7 Other conditions relating to the general principles of use	10
3 TERMS AND CONDITIONS RELATED TO GRANT-FINANCED COSTS, REVENUE AND FINANCING	10
3.1 Eligible costs	10
3.2 Non-eligible costs	12
3.3 Terms and conditions related to the revenue accrued in the activity or the project	13
3.4 Terms and conditions related to the financing of the activity or project	13
3.5 Terms and conditions concerning resources made available without payment	13
3.6 Terms and conditions relating to the finances of the beneficiary	13
4 SPECIAL OBLIGATIONS OF THE GOVERNMENT GRANT RECIPIENT	13
4.1 Obligation to provide information and notification obligation	13
4.2 Repayment obligation	14
4.3 Obligation to report on the use of the discretionary government grant	14
4.4 Impact assessment of the grant-financed activity or project	15
4.5 Utilisation of results	15
4.6 Other terms and conditions related to the government grant recipient's special obligations	15
5 MONITORING OF THE USE OF THE DISCRETIONARY GOVERNMENT GRANT, SUSPENSION OF PAYMENT AND RECOVERY	15
5.1 Monitoring and supervision practices	15
5.2 Right to audit	15
5.3 Government grant recipient's obligation to assist in the audit	16
5.4 Suspension of payment	16
5.5 Recovery and interest	17

1 OVERVIEW

1.1 Name of the standard terms and conditions

Standard terms and conditions of special grants of the Ministry of Economic Affairs and Employment

1.2 Validity of the standard terms and conditions

These standard terms and conditions are valid from 16 September 2024.

1.3 Scope of the standard terms and conditions, and applicable statutes

These standard terms and conditions are part of the decision on awarding a government grant (government grant decision).

If the government grant decision and its appendices are in conflict, the order of interpretation is the following:

- 1) the government grant decision and the special terms and conditions provided in it,
- 2) the standard terms and conditions appended to the government grant decision,
- 3) the approved cost estimate,
- 4) the approved implementation plan, and
- 5) the government grant application and its appendices.

The awarding, use, monitoring and recovery of government grants are subject to the Act on Discretionary Government Grants (688/2001) and general provisions binding on all state authorities, in particular the Administrative Procedure Act (434/2003).

Any special legislation or government decree laid down on the basis of section 8 of the Act on Discretionary Government Grants applicable to the use of the discretionary government grant is stated in the government grant decision.

In addition to the standard terms and conditions for the use of the discretionary government grant, this document contains the key provisions of the Act on Discretionary Government Grants applicable to the use of the discretionary government grant. However, the legislation may also contain other provisions applicable to the use of the discretionary government grant, which the government grant recipient must comply with in all respects.

1.4 Obligation to comply with terms, conditions and restrictions

Pursuant to section 13, subsection 2 of the Act on Discretionary Government Grants, in addition to what is laid down in the act or in the government decree issued under section 8, government grant recipients must observe the terms, conditions and restrictions specified in the government grant decision concerning the grant-financed project or activity.

Any call-specific exceptions, additions and supplements to the standard terms and conditions on government grants are specified in the section Additional terms/Call-specific exceptions to the standard terms and conditions in the call for applications.

1.5 Openness of the government grant decision and of the information on the discretionary government grant

Pursuant to section 1 of the Act on the Openness of Government Activities (621/1999), official documents are in the public domain, unless specifically provided otherwise in the Act or another act. Provisions on the grounds for non-disclosure of documents are laid down in section 24 of the Act on the Openness of Government Activities.

Information in the public domain includes, for example, the name of the government grant applicant and recipient and the euro-denominated amounts of the applied-for, awarded and paid discretionary government grant.

Pursuant to section 32b of the Act on Discretionary Government Grants, the government grant authority or another party which awards discretionary government grants by virtue of law submits the minimum information about government grant activities to the State Treasury for storage in the data repository of government grant activities. The information to be submitted is provided for in the Act on Discretionary Government Grants and the Government Decree (1394/2022).

According to section 32d of the Act on Discretionary Government Grants, the State Treasury publishes public information on government grants in the data repository of government grant activities (Tutkiavustuksia.fi). The information to be published is provided for in the Act on Discretionary Government Grants and the Government Decree (1394/2022).

1.6 Payment of the discretionary government grant

Pursuant to section 12, subsection 1 of the Act on Discretionary Government Grants, discretionary government grants are paid to their recipients as a lump sum or in several instalments based on the timing of costs. The government grant authority may decide to pay a government grant on the basis of actual costs after it has been provided with acceptable evidence on the use of the grant.

According to section 12, subsection 2 of the Act on Discretionary Government Grants, an advance may be paid if this is justified by the use of the discretionary government grant and expedient with regard to the monitoring of its use.

According to section 12, subsection 3 of the Act on Discretionary Government Grants, notwithstanding the provisions of subsection 1, a discretionary government grant of a small amount and one referred to in section 5, subsection 3, paragraph 3 may also be paid as a lump sum if this is justified by the use of the grant.

Pursuant to section 12, subsection 4 of the Act on Discretionary Government Grants, government grant recipients must provide government grant authorities with correct and sufficient information for paying the grant.

The detailed conditions for the payment of the discretionary government grant and the payment schedule are defined in the government grant decision.

1.7 Terms and conditions concerning the procurement procedure

Procurement refers to the purchase or rental of goods and services or to activities similar to it and to the contracting of work against a financial compensation.

If the government grant recipient or the recipient of redistributed funds produces the service or goods required for the implementation of the supported activity or project itself, it is not a

procurement. In this case, only the actual production costs of the service or good without margin can be taken into account as acceptable costs.

Obligation to comply with procurement legislation

The costs of procurement are only acceptable if the procurement procedure has been carried out in accordance with the Act on Public Procurement and Concession Contracts (1397/2016). The government grant recipient must find out for itself and take into account in its activities its possible obligation to comply with the Act on Public Procurement and Concession Contracts.

Contracting entities are provided for in section 5 of the Act on Public Procurement and Concession Contracts. According to section 5, subsection 1 of the Act on Public Procurement and Concession Contracts, the contracting entities referred to in the act shall be: 1) authorities of central and local government and joint municipal authorities; 2) the Evangelical-Lutheran and Orthodox churches of Finland and their parishes and other authorities; 3) State commercial institutions; 4) institutions of public law character; 5) any party conducting a procurement when it has secured the support in doing so of a contracting entity referred to in paragraphs 1–4 amounting to more than half of the value of the procurement.

If, for the purpose of making a procurement, a government grant recipient receives support (a grant) for more than half of the value of the procurement from contracting entities referred to in the Act on Public Procurement and Concession Contracts, it is obliged to comply with the act in the procurement.

A procurement may not be broken into lots, nor may its value be reduced by exceptional means in order to evade the application of the Act on Public Procurement and Concession Contracts.

The government grant recipient is responsible for the correct application of procurement legislation. If a purchase is made in violation of procurement legislation, the acquisition cost is not an eligible cost.

Procurement that is not subject to the Act on Public Procurement and Concession Contracts and the obligation to request tenders to be compared

If the procurement is not subject to the Act on Public Procurement and Concession Contracts, the government grant recipient is responsible for ensuring that the costs arising from the procurement are reasonable. At the request of the Ministry of Economic Affairs and Employment, the government grant recipient must demonstrate the reasonableness of the costs incurred in the procurement.

Even if the procurement does not fall within the scope of the Act on Public Procurement and Concession Contracts, the Ministry of Economic Affairs and Employment requires that all procurements of at least EUR 20,000 (VAT 0%) be put out to tender by inviting tenders from more than one supplier of goods or services. Transparency, equal and non-discriminatory treatment of tenderers and proportionality in the requirements set must be taken into account in the procedure. However, if, for example due to its nature, such a procurement has to be made without tenders to be compared, the government grant recipient must document justifications for this exceptional course of action and provide the justifications to the ministry upon request.

If the procurement is carried out in separate lots, the estimated value of all lots must be taken into account when calculating the total value of the procurement.

If a purchase outside the scope of the Act on Public Procurement and Concession Contracts is made in breach of these terms and conditions, the acquisition cost is not an eligible cost.

Procurement-related documents

The government grant recipient must store all documents related to the procurements diligently as part of the administrative and accounting records of the grant-financed activity or project. The documents must be delivered to the Ministry of Economic Affairs and Employment on request.

Taking sanctions into account in all procurement

In all procurements of at least EUR 20,000 (VAT 0%), the government grant recipient must ensure that the tenderer or its group of beneficiaries is not subject to sanctions imposed by the European Union, the United Nations (UN) or Finnish authorities, or to asset-freezing decisions. When procuring goods or services, invitations to tender must include the supplier's assurance that it or its group of beneficiaries is not subject to sanctions.

When procuring goods or services, procurement agreements must include a clause stating that the client has the right to terminate the procurement agreement with immediate effect if the service provider is encumbered by a mandatory exclusion criterion referred to in legislation on public procurement or a discretionary exclusion criterion referred to in section 81, subsection 1, paragraphs 3–11 of the Act on Public Procurement and Concession Contracts or a sanction imposed by the EU or the UN, even if the criterion had emerged only after the beginning of the contractual relationship.

The government grant recipient must notify the Ministry of Economic Affairs and Employment immediately if the government grant has been used in violation of sanctions.

If a purchase is made in breach of these terms and conditions for taking sanctions into account, the acquisition cost is not an eligible cost.

1.8 Other terms and conditions related to general matters

The government grant recipient must see to its organisation's good governance, adequate risk management and internal control.

The government grant recipient must comply fully with the applicable legislation and ethical provisions in all aspects of implementing the grant-financed activity or project.

A list of labour legislation is available at <https://tem.fi/en/labour-legislation2>. Legislation and instructions concerning environmental protection can be found (in Finnish) at <https://ym.fi/ymparistonsuojelun-lainsaadanto-ja-ohjeet>.

The government grant recipient is responsible for the correct application of the legislation in force. The implementation of measures of the grant-financed activity or project in violation of the legislation in force may lead to the suspension or termination of payment and the recovery of the government grant already paid or part thereof under the Act on Discretionary Government Grants and in accordance with sections 5.4 and 5.5 of these terms and conditions.

Gender equality and non-discrimination

In its activities, the government grant recipient must promote equality and non-discrimination, and comply with the employer obligations provided for in the Act on Equality between Women and Men (609/1986) and the Non-Discrimination Act (1325/2014).

Copyright and other intellectual property rights

The government grant recipient must ensure that the copyright or other intellectual property rights of the results achieved in the grant-financed activity or project belong to it by virtue of law or separate agreement and that the achievement of results does not infringe the copyright or other intellectual property rights of third parties.

Accessibility of digital services

The government grant recipient must determine its potential obligation to comply with the Act on the Provision of Digital Services (306/2019) and take it into consideration in its activities. The Act on the Provision of Digital Services applies to the digital services of a company, foundation, association and other entity, the development or use of which is co-financed by the public authority referred to in the said act for at least half of the development costs or annual maintenance costs.

Obligation to report suspected misuse, and whistleblower protection

The government grant recipient and the recipient of redistributed funds, as well as their employees working in the organisation, must immediately report suspected or observed misuse. Misuse refers to all unintentional and intentional actions, as a result of which a government grant is used in violation of the applicable regulations or these terms and conditions. Provisions on subsidy fraud and misuse are laid down in chapter 29 of the Criminal Code (39/1889).

A report falling within the scope of the Act on the Protection of Persons Reporting Infringements of European Union and National Law (1171/2022) can be submitted to the centralised external whistleblowing channel of the Office of the Chancellor of Justice at <https://oikeuskansleri.fi/en/centralised-external-reporting-channel>. Reports concerning violations of the rules on the awarding, use or recovery of government grants and government aid fall fully within the scope of the Act on the Protection of Persons Reporting Infringements of European Union and National Law. The Office of the Chancellor of Justice forwards the reports it receives through its whistleblowing channel to the competent authority, who investigates the report and takes the necessary measures.

If the government grant recipient or the recipient of redistributed funds is a private or public sector organisation with at least 50 employees as referred to in section 10 of the Act on the Protection of Persons Reporting Infringements of European Union and National Law, it is also obliged to establish an internal whistleblowing channel.

Further information on the whistleblowing channels of public authorities can be found on the website of the Ministry of Justice at <https://korruptiontorjunta.fi/en/report-corruption>. More information on whistleblower protection can be found, for example, on the website of the Ministry of Economic Affairs and Employment at <https://tem.fi/en/whistleblower-protection>.

The government grant recipient must ensure that these terms and conditions regarding the obligation to report suspicions of misuse, as well as the aforementioned whistleblowing channels and addresses regarding whistleblower protection, are known to everyone working in its organisation and to the recipients of redistributed funds.

2 GENERAL PRINCIPLES OF THE USE OF THE DISCRETIONARY GOVERNMENT GRANT

2.1 Obligation to arrange the monitoring of the use of the discretionary government grant

Monitoring the use of the discretionary government grant in accounting

The party responsible for accounting must be notified of the government grant decision.

The government grant recipient must establish in its accounting a cost centre that is separate from other activities to monitor the finances of the grant-financed activity or project. Finances refer to the costs, revenue and financing arising from the activities or the project.

Storage and retention period of administrative and accounting records

The government grant recipient must retain the accounting records, receipts and other material of the grant-financed activity or project in such a way that it is possible to monitor the use of the discretionary government grant even after the period of use of the discretionary government grant.

The government grant recipient must keep the records of the grant-financed activity or project for at least 10 years from the final government grant instalment. If the government grant decision specifies the period of use of the grant-financed property, the 10-year retention period is calculated from the end of the period of use of the property.

The receipts and other documents of the grant-financed activity or project must be delivered to the Ministry of Economic Affairs and Employment on request.

Working time monitoring

The salary costs allocated to the grant-financed activity or project must be based on actual work in the grant-financed activity or project.

If the work carried out for the implementation of the grant-financed activity or project takes up only part of the person's working time, the person must keep hourly working time records of the work he or she has done for the activity or project. The working time records must show the work done for the implementation of the activity or project and the total amount of work done during the period of use of the discretionary government grant. Hours spent working on the project must be reported monthly for days when the actual work was performed. The person in charge of the grant-financed activity or project or the employee's supervisor must confirm the working hours at least once a month and a record of the confirmation must remain in the monitoring system.

The Ministry of Economic Affairs and Employment has the right not to approve part or any of the salary costs if the working time monitoring has not been arranged in accordance with these terms and conditions or the monitoring cannot be considered reliable.

Working time monitoring reports must be delivered to the Ministry of Economic Affairs and Employment on request.

2.2 Using the discretionary government grant for an approved purpose

The purpose of use of the discretionary government grant is specified in the government grant decision. Pursuant to section 13, subsection 1 of the Act on Discretionary Government Grants, government grants may only be used for the purpose specified in the government grant decision.

Discretionary government grants may not be used for economic activities. Economic activities refer to offering goods and services on markets.

2.3 Terms and conditions related to redistribution

A discretionary government grant may only be used to finance an activity or project by a party other than the government grant recipient if the redistribution of the grant is permitted by the government grant decision. In that case, the government grant recipient must, before

the redistribution of the discretionary government grant, conclude an agreement on the use of the discretionary government grant, the monitoring of its use and their terms and conditions with the party that will carry out the activity or project (the recipient of redistributed funds).

The government grant recipient is in a legal relationship with the Ministry of Economic Affairs and Employment under public law, and the redistribution of the discretionary government grant does not release the government grant recipient in any way from its obligations under public law.

The government grant recipient is thus fully responsible to the Ministry of Economic Affairs and Employment for the correct use of the discretionary government grant also insofar as the grant has been redistributed. This means that the Ministry of Economic Affairs and Employment can, for example, request reports on the use of the grant and carry out related audits, as well as recover an incorrectly used discretionary government grant from the government grant recipient even if the recipient has, when the grant decision so allows, redistributed the grant to the activities or project of the recipient of redistributed funds carrying out the intended use in accordance with the grant decision.

As part of its obligation to report on the use of the discretionary government grant, the government grant recipient must also investigate the use of the government grant in relation to a grant that has been redistributed.

The government grant recipient must, on request, deliver the agreement between the government grant recipient and the recipient of redistributed funds to the Ministry of Economic Affairs and Employment.

Minimum requirements for the content of the agreement on the redistribution of a discretionary government grant

In the agreement on grant redistribution, the government grant recipient must ensure that the recipient of redistributed funds is aware of the nature of the funds redistributed as a government grant and that the recipient of redistributed funds complies with the terms, conditions and restrictions of the government grant decision concerning the government grant recipient in the use of the government grant.

The agreement on the redistribution of a discretionary government grant must include at least the following:

- a statement that the agreement concerns the redistribution of the discretionary government grant referred to in this government grant decision;
- the condition that the recipient of redistributed funds must comply with the terms, conditions and restrictions laid down in this government grant decision;
- the condition that the government grant recipient must have the opportunity to adequately supervise the use of the grant by the recipient of redistributed funds;
- the condition that the recipient of redistributed funds must report on the use of the grant to the government grant recipient in accordance with the government grant decision and Section 4.3 of these terms and conditions;
- a reference to the right of the Ministry of Economic Affairs and Employment and a public official or an external auditor authorised by the ministry to audit the finances and activities of the recipient of redistributed funds in accordance with section 16 of the Act on Discretionary Government Grants and the right of the National Audit Office to carry out audits in accordance with the Act on the National Audit Office (676/2000);
- the condition that the recipient of redistributed funds must ensure that the terms and conditions regarding the obligation to report suspicions of misuse mentioned in Section 1.8 of these terms and conditions, as well as the whistleblowing channels and addresses regarding whistleblower protection, are known to everyone working in its organisation;

- the assurance of the recipient of redistributed funds that it or its group of beneficiaries is not subject to sanctions or asset freezes imposed by the EU, UN or Finnish authorities;
- the right of the government grant recipient to terminate the agreement with immediate effect if it becomes evident that the recipient of redistributed funds or its group of beneficiaries is burdened by any sanction or asset freeze imposed by the EU, UN or Finnish authorities;
- the condition that the recipient of redistributed funds must not use the discretionary government grant for procurements from parties or directly or indirectly from persons or entities that are burdened by any sanctions or asset freezes imposed by the EU, UN or Finnish authorities (when procuring goods or services, invitations to tender must include the supplier's assurance that it or its group of beneficiaries is not subject to sanctions); and
- the condition that when procuring goods or services, procurement agreements must include a clause stating that the client has the right to terminate the procurement agreement with immediate effect if the service provider is encumbered by a mandatory exclusion criterion referred to in legislation on public procurement or a discretionary exclusion criterion referred to in section 81, subsection 1, paragraphs 3–11 of the Act on Public Procurement and Concession Contracts or a sanction imposed by the EU or the UN, even if the criterion had emerged only after the beginning of the contractual relationship.

2.4 Restrictions concerning the period of use

A discretionary government grant may only be used during the period of use specified in the government grant decision.

2.5 Restrictions and obligations related to the use of property purchased with the discretionary government grant

The period of use of grant-financed property is specified in the government grant decision.

According to section 13, subsection 3 of the Act on Discretionary Government Grants, if the government grant has been awarded for the acquisition or renovation of property used for a specific purpose specified in the government grant decision, the property may not be permanently used for purposes other than those specified in the government grant decision, and the right to own or control the property may not be transferred to another during the period of use of the grant-financed property specified in the government grant decision.

The government grant recipient must insure the property acquired with the discretionary government grant to a sufficient value and in an appropriate manner.

2.6 Changing the special terms and conditions specified in the government grant decision

The Ministry of Economic Affairs and Employment may, at the request of the government grant recipient and for a justified reason, change the purpose and period of use of the discretionary government grant and revise the special conditions specified in the government grant decision. A written application for a change must be submitted no later than 30 days before the end of the period of use of the discretionary government grant, so that a decision on the change requested can be made before taking any possibly grant-financed action. The application must include a detailed implementation plan, as well as a cost estimate and a financing plan, if any changes to these are proposed. The application must include the reference number of the government grant decision.

The Ministry of Economic Affairs and Employment uses case-by-case consideration when deciding whether to accept the changes requested.

2.7 Other conditions relating to the general principles of use

No such terms and conditions have been defined.

3 TERMS AND CONDITIONS RELATED TO GRANT-FINANCED COSTS, REVENUE AND FINANCING

3.1 Eligible costs

The eligible costs of the grant-financed activity or project are specified in the government grant decision. These standard terms and conditions summarise the main general principles of eligible costs.

General principles for approving costs

The government grant recipient must exercise appropriate and consistent frugality in all aspects of implementing the grant-financed activity or project.

The eligible costs must be costs incurred by the grant-financed activity or the project in accordance with the government grant decision (matching principle). The eligible costs must be unavoidable and necessary for the grant-financed activity or project and reasonable in amount.

A government grant recipient may only apply for the payment of costs that arise during the period of use specified in the government grant decision (accrual principle). However, the costs of auditing the grant-financed activity or project after the period of use may be eligible if the government grant decision requires the auditing of the grant-financed activity or project.

The costs must be paid in practical terms and verifiable from the accounts (see also Section 2.1). Only the actual share to be paid by the government grant recipient is accepted as eligible costs. Costs that according to the Accounting Act (1336/1997), the Accounting Decree (1339/1997) and good accounting practice must be recorded as expenditures for the accounting period in question will be taken into account as eligible costs.

Salary costs

Salary costs arising from work necessary for the implementation of the grant-financed activity or project and related costs based on law or a collective agreement binding the employer may be accepted as salary costs.

Salary costs are only eligible to the extent that they do not exceed the amount of salary generally paid by the government grant recipient for similar work. At the request of the Ministry of Economic Affairs and Employment, the government grant recipient must demonstrate that the salary costs do not exceed the amount of salary generally paid by the government grant recipient for similar work. This may be demonstrated based, for example, on the salary scales of the government grant recipient, collective agreements or other similar documented salary determination criteria.

As reasonable and acceptable salary costs, the Ministry of Employment and the Economy may accept a maximum amount corresponding to an annual salary of EUR 80,000 (gross) per employee, including salary-related costs based on law or a collective agreement binding

the employer. The government grant recipient is responsible for paying the part exceeding this amount with its other funds. Salary costs include salaries paid both in cash and in kind.

If the work carried out for the implementation of the grant-financed activity or project takes up only part of the person's working time, the eligibility of salary costs is conditional on the working time records required in Section 2.1.

Cost of purchased services

The government grant recipient or the recipient of redistributed funds may implement the measures of the grant-financed activity or project either as their own work or as purchased services. To the extent that the government grant recipient or the recipient of redistributed funds produces the services included in the implementation of the grant-financed activity or project itself, only the costs incurred, in practical terms, in the implementation of the service without margin can be taken into account as eligible costs.

The costs of purchased services directly related to the implementation of the project in accordance with the government grant decision can be accepted as costs of purchases services.

In addition, the costs of auditing the grant-financed activity or project may be accepted as the costs of purchased services if the government grant decision requires the auditing of the grant-financed activity or project.

The government grant recipient must deliver purchase invoices to the Ministry of Economic Affairs and Employment on request.

If a purchase of services is made in breach of the terms and conditions concerning the procurement procedure specified in Section 1.7 these terms and conditions, the acquisition cost is not an eligible cost.

Travel expenses

Travel expenses are extra costs incurred by the government grant recipient through the travel expenses of the grant-financed activity or project.

Travel expenses are eligible to the extent they are reasonable and the compensation payable to the traveller does not exceed the terms and conditions of the collective agreements applicable to the government grant recipient. If the collective agreements applicable to the government grant recipient do not contain terms and conditions regarding compensation for travel expenses or if there are no collective agreements applicable to the government grant recipient, all travel expenses are accepted according to the State Travel Regulations in force at the time.

In the case of any trips abroad, unless the trip abroad is presented in the implementation plan, the government grant recipient must contact the Ministry of Economic Affairs and Employment in advance before the costs are incurred.

Value-added tax

The costs of the government grant recipient are accepted inclusive of value-added tax (VAT) when they are associated with activities that are not subject to VAT and the VAT remains to be paid as a final cost by the grant recipient.

Only VAT-exempt costs are accepted in government grants awarded to municipalities and joint municipal authorities.

Indirect costs

Indirect costs refer to costs the amount of which cannot be determined or it is not appropriate to determine by allocating costs directly to the grant-financed activity or project, but the amount of which can be determined by allocating a share of the cost using an approved cost accounting method.

If indirect costs have not been approved as a percentage in the government grant decision, indirect costs must be based on actual realised costs and must be

- clearly and justifiably allocated,
- in accordance with the approved cost estimate of the grant-financed activity or project,
- separately documented,
- based on the same grounds over the entire period of use of the discretionary government grant, and
- based on the matching principle.

The government grant recipient must submit a separate report to the Ministry of Economic Affairs and Employment on the matching principle of indirect costs.

The Ministry of Economic Affairs and Employment has the right to partially or fully reject indirect costs if it cannot be clearly demonstrated that the costs were incurred as a result of the grant-financed activity or project.

3.2 Non-eligible costs

Government grants are not awarded or paid for costs that are not essential to the attainment of the objectives of the grant-financed activity or project.

The list of non-eligible costs below is exemplary and informative.

Non-eligible costs include

- expenses without any consideration given, such as scholarships, donations, prizes or other similar monetary payments,
- cost of fundraising and membership acquisition,
- acquisition cost of purchases made in breach of the terms and conditions concerning the procurement procedure specified in Section 1.7,
- costs of measures taken in contravention of sanctions or legislation governing the grant-financed activity or project,
- value added tax, if it is not the final cost of the government grant recipient,
- loan repayments, penalty interest and other interest expenses, service fees charged for account transactions, credit card transaction fees, currency exchange fees, exchange rate losses, commissions, business and investment costs and other financing-related costs,
- costs of litigation, court fees and penalties, such as fines and other law-based financial consequences,
- reserves (with the exception of the holiday pay reserve),
- voluntary social security costs that are not statutory or based on a collective agreement binding the employer, such as supplementary pension insurance premiums, performance bonuses, bonuses and personal membership fees,
- severance pay or salary costs for a period of notice without an obligation to work,
- recreational expenses, lobbying expenses and entertainment expenses (Tax Administration instructions, Entertainment expenses in taxation),

- government grant repayment, recovery obligations or credit loss for a government grant redistributed to the recipient of redistributed funds,
- costs excluded in the government grant decision, and
- costs that do not arise from the grant-financed activity or project or are not unavoidable and necessary or reasonable for the grant-financed activity or project.

In unclear situations, the government grant recipient must contact the Ministry of Economic Affairs and Employment before the costs are incurred.

3.3 Terms and conditions related to the revenue accrued in the activity or the project

Revenue refers to cash flows, with consideration given, that can be accrued directly with the reported costs of the grant-financed activity or project. Revenue may be accrued from sales, rental, compensation for use or other consideration given. Revenue accrued during the period of use of the discretionary government grant specified in the government grant decision is taken into account as a deduction in determining the eligible costs of the activity or project.

3.4 Terms and conditions related to the financing of the activity or project

Own contribution to eligible costs refers to the portion of the total sum of eligible costs that remains after the total sum of eligible costs covered with external financing has been deducted.

3.5 Terms and conditions concerning resources made available without payment

Voluntary work or other resources made available free of charge cannot be part of the finances of the grant-financed activity or project.

3.6 Terms and conditions relating to the finances of the beneficiary

The government grant recipient must fulfil the necessary financial and other preconditions for carrying out the grant-financed activity or project. A government grant may be paid only if the preconditions on which the grant was based are still valid when the payment decision is made. The information and notification obligations of the government grant recipient are set out in Section 4.1 of these terms and conditions.

4 SPECIAL OBLIGATIONS OF THE GOVERNMENT GRANT RECIPIENT

4.1 Obligation to provide information and notification obligation

The government grant recipient must provide the Ministry of Economic Affairs and Employment with correct and sufficient information for monitoring that the terms and conditions of the government grant decision are observed.

The government grant recipient must immediately notify the Ministry of Economic Affairs and Employment of any changes affecting the fulfilment of the preconditions for awarding the discretionary government grant or the purpose of the grant, or any other change affecting the use of the discretionary government grant.

Such changes in particular refer to those affecting the realisation of the terms, conditions and restrictions concerning the use of the discretionary government grant. Changes that affect the use of the government grant also include significant changes in the quality, scope

or financing of the implementation of the grant-financed activity or project. The assessment of the change is based on the information provided in the government grant application and taken as the basis for the government grant decision.

The government grant recipient must keep updated the information about its persons in charge.

4.2 Repayment obligation

Pursuant to section 20, subsection 1 of the Act on Discretionary Government Grants, a government grant recipient must without delay pay back, in full or in part, any government grant it has received through error, in excess or without justification. The government grant recipient must also pay back, in full or in part, a discretionary government grant that cannot be used as specified in the government grant decision. If the amount to be repaid does not exceed EUR 100, it does not need to be repaid.

4.3 Obligation to report on the use of the discretionary government grant

The government grant recipient must submit a report on the use of the discretionary government grant to the Ministry of Economic Affairs and Employment by the deadline specified in the government grant decision.

At minimum, the report must include

- a description or report on the implementation of the activity or project in accordance with the government grant decision in relation to the approved implementation plan,
- a summary of the achievement of the objectives and results,
- an assessment of the impact of the activity or project, and
- a statement of the costs, revenues and financing of the measures taken.

The report must be appended with

- a sufficiently detailed general ledger extract or accounting report corresponding to the cost centre of the grant-financed activity or project, showing the actual costs, income and financing of the grant-financed activity or project during the discretionary government grant's period of use,
- the auditor's audit report, if the government grant decision requires the auditing of the grant-financed activity or project,
- a payroll report form or summary of payroll costs,
- a report based on validated hourly accounting data on the use of employees' working time for the grant-financed activity or project,
- a procurement report form or summary of purchases worth at least EUR 20,000 (VAT 0%), and
- the corresponding annexes concerning the recipient of redistributed funds insofar as the government grant has been redistributed in accordance with Section 2.3 of these terms and conditions.

In addition, the person responsible for the financial management of the grant recipient and representing the recipient, who has the right to sign for the recipient organisation, must confirm by his or her signature in the report on the use of the discretionary government grant the following:

- the discretionary government grant was used for the purpose for which it was awarded;

- the breakdown of costs, income and financing of the grant-financed activity or project is based on the accounting of the government grant recipient;
- the report was prepared in accordance with the applicable regulations and the guidelines issued by the Ministry of Economic Affairs and Employment, and no costs that are non-eligible according to the applicable regulations or guidelines or that do not belong to the grant-financed activity or project have been presented as grant-financed items;
- procurements made with the discretionary government grant complied with procurement legislation and the terms and conditions concerning the procurement procedure specified in Section 1.7 of these standard terms and conditions; and
- that no other public support was received for the same costs or the other public support was in accordance with the breakdown presented.

At the request of the Ministry of Economic Affairs and Employment, the government grant recipient must also provide the ministry without delay with other background material that clarifies the use of the discretionary government grant.

4.4 Impact assessment of the grant-financed activity or project

After using the discretionary government grant and reporting on it, the government grant recipient must participate, where necessary, in producing and providing essential information on the impact of the grant.

4.5 Utilisation of results

The results of an activity or project financed by the Ministry of Economic Affairs and Employment must be public and generally usable. The government grant recipient must actively disseminate information about the results of the grant-financed activity or project to other operators.

4.6 Other terms and conditions related to the government grant recipient's special obligations

No such terms and conditions have been defined.

5 MONITORING OF THE USE OF THE DISCRETIONARY GOVERNMENT GRANT, SUSPENSION OF PAYMENT AND RECOVERY

5.1 Monitoring and supervision practices

In accordance with section 15 of the Act on Discretionary Government Grants, the Ministry of Economic Affairs and Employment ensures the appropriate and sufficient supervision of the discretionary government grant by obtaining information on the use and monitoring of the government grant and other information, as well as by carrying out audits if necessary.

The government grant recipient is obliged to provide the Ministry of Economic Affairs and Employment with the necessary information on use, monitoring and other information required for the use of the discretionary government grant when the ministry requests it.

5.2 Right to audit

The right of government grant authorities to audit is provided for in section 16 and the performance of audits in section 17 of the Act on Discretionary Government Grants.

The Ministry of Economic Affairs and Employment has the right to carry out the necessary audits concerning the finances and activities of the government grant recipient in the payment of the discretionary government grant and supervision of its use.

If the grant was awarded in the manner provided for in section 7, subsection 3 of the Act on Discretionary Government Grants for use in a project or activity of a party other than the government grant recipient that fulfils an intended purpose in accordance with the grant decision, the Ministry of Employment and the Economy has the right, if necessary, to also audit the finances and activities of the recipient of redistributed funds in accordance with the grant decision. The government grant recipient must include sufficient clauses in its agreements with the recipients of redistributed funds to implement the right of inspection, as specified in Section 2.3.

The government grant authority may issue a decision authorising another public authority or an external auditor to carry out the audits referred to above, and the ministry may also use an external expert to assist in the audit.

The auditing official and the auditor are entitled to take possession of the material subject to audit if auditing so requires. A record of taking possession of the material is made during the audit, stating the purpose of taking possession of the material and indicating what has been taken. The material will be returned without delay after it is no longer needed for the audit.

The public official performing the audit and the auditor have the right to access, to the extent required by the audit, the government grant recipient's business, warehouse or other similar premises used for the exercise of a profession or trade and other areas, the conditions of which are relevant to the awarding of the discretionary government grant and the supervision of the use thereof.

Audits may not be carried out in premises that are subject to domestic privacy provisions.

Provisions on the National Audit Office of Finland's right to audit are laid down in section 2 of the Act on the National Audit Office of Finland (676/2000).

5.3 Government grant recipient's obligation to assist in the audit

Pursuant to section 17, subsection 1 of the Act on Discretionary Government Grants, the recipient of a discretionary government grant must provide, free of charge, the public official carrying out the audit and any other public authority or auditor authorised by the Ministry of Employment and the Economy with all information and explanations, documents, recordings and other material necessary for the audit, and otherwise assist in the audit.

The government grant recipient is also obliged to assist in the implementation of the audit of the recipient of redistributed funds.

5.4 Suspension of payment

Pursuant to section 19 of the Act on Discretionary Government Grants, the government grant authority may decide to suspend the payment of a discretionary government grant in case of the following:

- 1) there are reasonable grounds to suspect that the government grant recipient is not acting within the meaning of section 12, subsection 4, or section 13 or 14;
- 2) the grounds on which the discretionary government grant was awarded have essentially changed; or
- 3) the legislation of the European Community necessitates the suspension of payment.

5.5 Recovery and interest

Government grant authority's recovery obligation

The obligation of the government grant authority to recover the government grant is provided for in section 21 of the Act on Discretionary Government Grants.

The Ministry of Economic Affairs and Employment has an obligation to recover the government grant if the recipient has:

- 1) neglected to repay a government grant or part thereof which under section 20 must be repaid;
- 2) used the support for a purpose which is essentially different from the purpose for which it was awarded;
- 3) provided the government grant authority with false or misleading information in a matter that was critical to the awarding of the government grant, its amount or terms, or concealed such information; or
- 4) otherwise substantially violated the provisions concerning the use of the discretionary government grant or the conditions included in the discretionary government grant decision in a manner comparable to sections 1–3.

Discretionary recovery

Provisions on the government grant authority's right to discretionary recovery and on the discontinuation of payments are laid down in section 22 of the Act on Discretionary Government Grants.

The Ministry of Economic Affairs and Employment may, by decision, order the termination of the payment of the discretionary government grant and the recovery of all or part of the discretionary government grant already paid, if:

- 1) the government grant recipient has violated section 12, subsection 4 or sections 13 or 14;
- 2) the government grant recipient has refused to provide the data referred to in section 17, subsection 1, or provide the assistance referred to in said subsection with an audit;
- 3) the government grant recipient has discontinued the grant-financed activities, reduced them substantially or assigned them to another party;
- 4) the government grant recipient has, in violation of section 13, assigned to another the ownership or possession of property purchased with the discretionary government grant;
- 5) the government grant recipient has, in violation of section 13, permanently altered the purpose of grant-financed property;
- 6) the government grant recipient has been subjected to enforcement proceedings, or placed into liquidation or bankruptcy, or made subject to debt adjustment referred to in the Restructuring of Enterprises Act (47/1993) or debt rescheduling referred to in the Act on Adjustment of the Debts of a Private Individual (57/1993), unless the purpose of the discretionary government grant requires otherwise; or
- 7) the government grant recipient in practical terms takes action that is comparable to what is laid down in this subsection by giving a subject related to the awarding, payment or use of the discretionary government grant a legal form that is not compatible with its true nature or purpose.

If the government grant recipient or its representative as defined in the Criminal Code has been sentenced by a final judgment to punishment for the use of unauthorised foreign labour or for an employer's violation of the Aliens Act, or if the government grant recipient has been ordered by a final decision to pay a penalty as referred to in the Employment Contracts Act, the Ministry of Economic Affairs and Employment may, for a particularly compelling reason,

continue to pay the discretionary government grant and not recover the discretionary government grant or part thereof already paid.

If grant-financed property has been destroyed or damaged during the period of use specified in the government grant decision and no new corresponding property is acquired to replace the destroyed or damaged property, the Ministry of Employment and the Economy may, by decision, order the termination of the payment of the discretionary government grant and order the recovery of an amount corresponding to the discretionary government grant's share of the original acquisition cost of the property from any insurance compensation or other compensation.

The Ministry of Economic Affairs and Employment may, by decision, also order the termination of the payment of the discretionary government grant and the recovery of the discretionary government grant already paid, if required by European Community law.

Interest

Pursuant to section 24 of the Act on Discretionary Government Grants, government grant recipients must pay an annual interest in accordance with section 3, subsection 2 of the Interest Act (633/1982) plus 3 percentage points on the amount to be paid back or recovered from the day the discretionary government grant was paid.

Pursuant to section 25 of the Act on Discretionary Government Grants, if the recovered sum is not paid by the due date set by the government grant authority, an annual penalty interest is payable on the sum in accordance with the interest rate referred to in section 4, subsection 1 of the Interest Act.

Offsetting

Pursuant to section 30 of the Act on Discretionary Government Grants, a sum to be repaid or recovered, including interest, may be collected by deducting it from another discretionary government grant paid to the same recipient and awarded by the same government grant authority.