

Funding for business development in disruptive circumstances, questions and answers

NOTE! Funding cannot be granted, if the company employs fewer than six people or if it is a large company, a private trader, a public organization, a foundation or a company registered in Åland. When the application is submitted, there must be at least 6 people in the company (including the entrepreneur or entrepreneurs).

Q: On 27 March, it was stated that the ELY Centre will fund companies that employ fewer than 6 people. If I already sent an application to Business Finland before this, what should I do?

A: You do not need to do anything. Applications received by Business Finland prior to 27 March 2020 will be assessed on the basis of the original terms and conditions: i.e. Business Finland can also grant funding to companies employing fewer than six people. Starting from 28 March, companies that employ fewer than 6 people should apply for funding from the [ELY Centre](#). If your company submitted the application by 27 March and you receive funding from Business Finland for a preliminary study, you can also apply for the more extensive Development funding for companies during business disruptions from Business Finland. Private traders cannot apply for further funding from Business Finland, even when receiving a positive funding decision to an application filed by 27 March.

WHO IS THE FUNDING AIMED AT?

Q: Usually internationalization is a requirement for the projects funded by Business Finland. Is that also true for this funding?

A: The funding can also be granted to companies that operate in the domestic market.

Q: To how large companies can Business Finland grant funding?

A: Business Finland can fund companies that employ 6–250 people as well as midcap companies. ELY Centres can provide funding for companies smaller than this.

Q: Can a company receiving YIC funding receive funding for disruptive circumstances?

A: Business Finland can also grant funding for business development in disruptive circumstances to YIC companies. The companies can develop a digital sales model, sharpen their offering and develop new partnership and subcontracting models in the target market, for instance. The funding can be used to drive the change in the business model required by the market situation forward ('pivoting') and the company can return to the YIC project and the path of rapid growth after the crisis.

THE FINANCIAL SITUATION OF THE COMPANY APPLYING FOR FUNDING

Q: Does the funding require EUR 30,000 in equity financing like the Tempo funding?

A: No.

Q: How does Business Finland review the company's financial situation? When is it not possible to grant funding?

A: Funding can be granted to companies that had the prerequisites for viable business before the special situation caused by the coronavirus. Funding cannot be granted to a company that is a 'firm in difficulty' according to the EU definition. According to the EU state aid rules, a firm is in difficulty if at least one of the following five conditions is met:

1. The company is a limited liability company that has lost more than half of its subscribed share capital due to accumulated losses.
2. The company is a general or limited partnership that has lost more than half of its own assets due to accumulated losses according to the financial statements.
3. The company has been placed into liquidation or bankruptcy due to insolvency.
4. The company has received rescue aid and has not paid it back yet, or it has received restructuring aid and is the subject of a restructuring plan.
5. In addition to the above conditions, large companies are also considered to be in difficulty, if both of the following conditions are met based on two previous confirmed annual financial statements:
 - a) the company's debt-to-equity ratio has been over 7.5 and
 - b) the ratio of the company's operating margin to its net financing costs has been under 1.0.

If the company is less than 3 years old, it is considered to be in difficulty based on section 3 alone.

If a company is a part of a group, both Business Finland's client company as well as the whole group are assessed on whether they are in difficulty. An individual company cannot be funded, if the group or the parent company in the same group meets the criteria of a firm in difficulty.

The financial situation is reviewed based on the latest confirmed financial statements. If the financial statements have not been submitted to the Finnish Patent and Registration Office, they must be submitted to Business Finland. If the company's financial situation has changed after the previous confirmed financial statements, the company can prove that the situation has improved by submitting an auditor's statement on the situation. The statement must show that the company is not a firm in difficulty based on the criteria presented above.

Q: Can a company applying for funding have a tax debt?

A: Tax debt are taken into account in assessing the company's financial standing. The funding decision can be made if the company is assessed as having the prerequisites for profitable business and meeting its tax obligations. If the company has tax debt, it must apply the Finnish Tax Administration for a payment plan. The company's tax debt status is reviewed in the final report. Funding is not granted if the company has tax debt in debt execution and/or has failed to report taxes.

Q: Does the beneficiary need to be listed in the prepayment register?

A: Yes

AMOUNT OF FUNDING

Q: How much funding can you get?

A: A grant of EUR 10,000 at maximum for preliminary studies, constituting 80% of the total costs of the project. This means that the maximum project size is EUR 12,500.

In development funding, the share of Business Finland is EUR 100,000 at maximum, constituting 80% of the total costs of the project. This means that the maximum project size is EUR 125,000.

In both funding cases, the required own funding share for companies is 20%; it does not need to be verified separately in the application phase.

This funding constitutes a grant that does not have to be paid back.

Q: How much funding can a company receive depending on its turnover?

A: Funding for business development in disruptive circumstances can only be used for the development of business operations and new products and services. As a rule, the grant may be up to 30% of the company's turnover.

WHAT CAN THE FUNDING BE USED FOR?

Q: How is the novelty value of the project assessed?

A: The development must be new to the company itself; it does not necessarily have to be new in Finland or the industry.

Q: Can the funding be used to reinforce working capital?

A: No. Banks and Finnvera can help with this issue.

Regarding Finnvera's guarantees:

Finnvera's Start Guarantee and SME Guarantee are suitable for the working capital needs caused by the coronavirus. The simplest solution for a maximum of EUR 150,000 of funding (for a Start Guarantee, a maximum of EUR 100,000) is a bank loan, for which Finnvera can give a guarantee of 80%. The Start Guarantee is intended for companies that have been operating for three years at maximum, while the SME Guarantee is for the companies that have been operating for more than three years. The bank applies for a Start/SME Guarantee from Finnvera on your behalf, which means that you or your company do not need to contact Finnvera directly at all when applying for funding. [Finnvera.fi](https://finnvera.fi)

Q: Can investments be funded?

A: No. For example, the funding cannot be used to renovate premises or buildings or alter them for other uses or build new premises, or purchase a booking system or software licenses.

Q: Can the development or establishment of an online store be funded?

A: The implementation of an online store cannot be funded. It constitutes the establishment of a distribution network, which is prohibited by the de minimis regulation. Matters related to an online store can be investigated, if they are new to the company, but Business Finland funding cannot be used to implement an online store or invest in it.

Q: Is it necessary to purchase the services needed for the project from a registered service provider (like with the innovation voucher)?

A: The service provider can be selected freely.

Q: Are purchases from associated companies, i.e. related parties, accepted?

A: Purchases from associated companies will not be accepted. Purchases from companies in the same group are OK.

Q: Are the salaries of the management, owners and family members accepted?

A: They are acceptable costs, as long as they are allocated to the work on the project.

Q: Can the funding be used for education or translation?

A: Education and translation cannot be funded.

ONLINE STORE

Q: Can I use the funding to set up an online store?

1. Design, yes. The funding can be used to design an online store and your digital business model.

Before opening an online store, you need to design your own digital business model. Public funding can be used to purchase expert services for the design stage as well as comparing online store platforms and selecting a suitable one.

2. “Setting up,” no. The funding cannot be used to purchase an online store platform.

Setting up an online store, purchasing an online store platform and putting products up for sale there is a fairly quick and easy procedure after an idea on what needs to be done has been formed during the design stage. (Section 1)

Development funding cannot be used to buy an online store platform. Online store platforms suitable for SMEs operating in the domestic market include Mycashflow, Vilkas and Shopify, for example.

3. Marketing. Marketing plan, yes. Implementing marketing, no.

If your online store project stops after steps 1 and 2, your store is likely to fail before it even gets off the ground. No online store sells without marketing.

Funding can be used to plan the marketing of the online store and purchase necessary expert services. The funding cannot be used for the practical implementation of marketing.

4. Development, yes. The funding can be used to develop the online store.

In the development stage, you refine and pilot your concept, do test marketing and test your own customer promise. At the same time, you find out valuable information on your customers and competitors. Analyzing the results for further development is an essential part of this stage. You can develop your own competitive advantage through data-driven test marketing or iterative testing, for example, or with the usual service design and competitor research methods. You can use funding for this stage.

On the web page of Business Finland's [Experience Commerce program](#) you can find an example on the content and budget of an online store project. You can use this [example material](#) when drawing up your own application. You should also join the Verkkokauppiat Facebook group for online sellers. If necessary, the Experience Commerce program team will help you find suitable consultants to assist with the development work. Contact: aija.kalander@businessfinland.fi.

WHAT DOES DE MINIMIS MEAN?

Q: The funding is a form of de minimis aid. What is de minimis aid and what is it based on?

A: De minimis aid refers to a public business subsidy, the amount of which is small enough that the European Union does not consider it to distort competition or affect trade between the EU Member States. For this reason, it is called *de minimis aid*. You can find more detailed instructions on the [Business Finland website](#).

Q: Which parties grant de minimis aid?

A: The aid is granted from the funds of a municipality, a joint municipal authority or the state, but it can also be granted fully by the EU. Ministries, regional councils, ELY Centres as well as Finnvera and Business Finland, for instance, also grant de minimis aid.

Q: What is the maximum amount of de minimis aid and for which period is it calculated?

A: The maximum amount of aid is EUR 200,000, which is granted to the company during three consecutive tax years. The maximum amount of de minimis aid to a company operating in the field of road transport is EUR 100,000. The company itself must ensure that the maximum amount is not exceeded.

Q: How are groups or companies with several offices treated with regard to de minimis funding?

A: The different group companies can receive de minimis funding, but the entire group has the same total cap of EUR 200,000. The amounts of de minimis aid received by different offices of the same company are also added together.

PAYMENT AND REPORTING OF FUNDING

Q: Can the same application be used to apply for both a preliminary study and development funding?

A: No, separate applications are needed. In order to get the full benefit of a preliminary study for further development, the study should be done first and the results used in the development funding project. Doing a preliminary study before the development funding is not mandatory, however; the company can also find out its needs on its own.

Q: Can the application be supplemented?

After the application has been entered into Business Finland's system, it can be supplemented. Unfortunately, the recent spike in the number of applications has created a backlog at the record office. We will contact you if we need more information for processing the application.

Q: I would like to cancel the application. What should I do?

A: Before a decision has been made, the application can be cancelled by sending an email message to the record office of Business Finland at kirjaamo@businessfinland.fi.

In the subject field of the message, enter: "Cancelling the application xxxx/31/2020 Company name" (= reference number and name of the company).

Enter the following in the message field:

We are cancelling our application,

Best regards, N.N.

Q: Will the companies draw up a cost statement? What kind of a final report, working time monitoring, etc. is needed?

A: In accordance with the de minimis conditions, see: [funding terms and conditions](#)