



# Production incentive for audiovisual industry

Funding terms and conditions 16 April 2018

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# 1 Funding decision and its terms and conditions

- The funding decision made by Business Finland – Finnish Innovation Funding Agency (hereinafter Funding Agency) will come into effect when the special terms and conditions have been fulfilled and the beneficiary has accepted the funding decision and its terms and conditions according to the instruction on Business Finland’s website.
  - In conjunction with acceptance, the bank account number into which the funding will be deposited shall be indicated.
  - The notification must be signed by a person with authority to sign for the organisation.
- These terms and conditions for funding are part of the decision, and compliance with them is prerequisite for payment of the funding.
- The funding granted under this funding decision is state aid authorised on the basis of the General Block Exemption Regulation (Commission Regulation (EU) No 651/014 declaring certain categories of aid compatible with the internal market in the application of Articles 107 and 108 of the Treaty; OJL187 26 June 2014, p. 1).
- [Scope of application and legal basis](#)



## 2 Publicity of the funding decision

- The following information will be public: the beneficiary's name, business ID, size, sector, region, form of financing, granting date, the amount of funding granted and the amount paid.
- When the beneficiary disseminates information about the production (hereinafter project) or its results, it must disclose that the Funding Agency has provided funding for the project.
- The Ministry of Economic Affairs and Employment, Finnvera, the Funding Agency, ELY Centres and TE Offices may exchange client information relating to the beneficiary.
- The Funding Agency may also require information from other authorities and funding bodies (such as the Tax Administration, municipalities, banks, capital investors, Sitra and the Finnish Film Foundation) for the purposes of payment and supervision of funding.
  - The Funding Agency may, notwithstanding confidentiality provisions relating to business and trade secrets, contact these authorities and funding bodies in order to obtain or provide information associated with the beneficiary and this project. By accepting the funding decision, the beneficiary agrees to the exchange of information referred to above.
- A beneficiary with operations in Finland must submit their annual statements, including appendices, for publication in the Finnish Patent and Registration Office, as laid down by law.
- In accordance with the Copyright Act, an unencrypted DCP or original material in the best other available form and copies of a film's advertising and other information material must be stored in the National Audiovisual Institute within three months of completion of the film.



## 3 Accountable project leader

- The beneficiary must appoint an accountable project leader that is in an employment relationship with the beneficiary.
- The task of the accountable leader is to supervise the implementation of the production specified in the Funding Agency's funding decision. The accountable project leader must ensure that the project is implemented according to plan.
- The accountable leader is responsible for ensuring that:
  - the funding decision has been accepted
  - project accounting has been arranged in accordance with these funding terms and conditions
  - working time monitoring has been arranged in accordance with the terms and conditions, where required
  - the decision and its terms and conditions are reviewed with financial management/an accounting firm and that the decision and terms and conditions have been sent to the auditor for information
  - the persons that have been chosen to manage the project's issues in the online service have access rights to the project. (does not apply to foreign beneficiaries.)



## 4 Production coordinator

- If the beneficiary is a foreign company, the Funding Agency requires that the beneficiary concludes a written service contract with a production coordinator who has a Finnish business ID. The contract must include a clause that obliges the production coordinator to keep a record of the production costs for project accounting purposes (cost specification in a specific format) and to prepare an auditor's report of the actual costs.
- The production coordinator hires employees, acquires services for the beneficiary, and pays wages and salaries and the invoices of service providers. The coordinator charges the beneficiary for the paid wages and salaries, invoices and the coordinator's own fee. The coordinator prepares and maintains a cost specification, as instructed by the Funding Agency. The beneficiary and the production coordinator agree on the terms of payment and payment schedules. The Funding Agency will not provide the funding if the cost specification and auditor's report are not submitted to the Funding Agency within the specified time frame.



## 5 Reporting

- **Beneficiaries in Finland.** The beneficiary's accountable project leader reports on the project's progress using the Business Finland's online service. The costs allocated to the project are also declared online. A cost specification in a specific format and an auditor's report must be appended to the cost statement submitted online.
- **Foreign beneficiaries.** If the beneficiary is a foreign company, the production coordinator submits a cost specification and an auditor's report to the beneficiary. The beneficiary reports to the Funding Agency in accordance with the instructions.
- The beneficiary must declare all project costs at the latest in the final cost statement. If the maximum amounts for each cost category in the cost estimate are substantially exceeded, the beneficiary must apply for a change to the cost estimate. No new project costs can be presented after the approval of the final report.



## 6 Auditor's report

- As part of each cost statement, the beneficiary must submit an auditor's report on all the production costs incurred in Finland, prepared by an independent Finnish auditor. The auditor does not need to audit the content of other costs referred to in section 8.8, nor take a stand on eligible other costs.
- If the beneficiary is a foreign company, the auditor prepares an auditor's report on the costs paid by the production coordinator and the payments made to the coordinator by the beneficiary. The production coordinator submits the auditor's report to the beneficiary, who then delivers it, appended to the cost statement, to the Funding Agency.
- A report template in a specific format is available on the Business Finland's website.
- The costs arising from the auditor's report prepared by the project auditor can be accepted as direct project costs. If the costs arising from auditing are not included in the cost specification, a copy of the related audit invoice and payment receipt/copy of the bank statement must be submitted to the Funding Agency.
- The Funding Agency has the right to disclose the auditor's report to other authorities for the purposes of funding supervision.



## 7 Payment of funding

- The Funding Agency will provide the funding on the basis of approved reports and cost statements.
- At least 10 per cent of the granted funding will only be paid after the approval of the final report. The final instalment will be paid, provided that the project has accumulated an adequate amount of eligible costs.
- Entitlement to the granted funding or part of it will lapse if the beneficiary does not submit the requested reports or further information by the due date specified in the funding decision or separately notified by the Funding Agency. Furthermore, the Funding Agency will recover any funding already provided, with interest.
- Funding will not be provided if the production does not meet the minimum requirements of the funding decision (see the following slide).



## 7.1 Payment of funding, minimum requirement

	A long drama film	A documentary	Serial fiction and animation
Minimum spend in Finland	150,000	50,000	250,000
Minimum total budget for the production	2,500,000	325,000	EUR 5,500/minute



## 8 Monitoring of costs and project accounting

- The beneficiary, and the production coordinator, if any, must arrange accounting so that the costs arising from the production can be itemised and their connection with the accounting and the cost statement can be verified.
  - If the beneficiary simultaneously has underway a Funding Agency-funded project whose funding terms and conditions require working time monitoring, all those persons working in both projects must keep records on their working time on an hourly basis.
- Project documents and other materials necessary for the supervision and auditing (including personal working time records, where required) must be kept for a minimum of ten years after the payment of the last project funding instalment.



## 8.1 General principles for cost statements

- The estimate of cost in Finland appended to the funding decision determines the production's maximum amount of individual eligible costs. The Funding Agency has the right not to accept costs presented by the beneficiary if their relevance to the production is not clearly substantiated. All costs based on the project plan are to be reported and declared to the Funding Agency
  - If the maximum amounts for each cost category in the cost estimate are substantially exceeded, an application for a change to the cost estimate is required.
  - The costs are finally accepted for a project only in conjunction with the final accounting statement.
  - No new project costs can be presented after the approval of the final report and the accounting statement.
- The costs must be
  - fully paid for before the auditor checks them and they are declared to the Funding Agency
  - incurred from the production in Finland during the duration of the production
  - entered in the accounts of the beneficiary or the production coordinator
  - in the net amount and exclusive of VAT.
- A production incentive can only be granted for activities that are implemented after submitting a funding application.



## 8.2 Requirements set for expenditure

- The expenses must be fully paid in money when they are reported to the Funding Agency. The payment of the investment may not be paid for by a loan given by the recipient of the payment. The costs must be based on the corresponding expenditure payment records. This does not apply to calculatory costs allocated to the project.
  - Invoices for work performed during the production may be paid after the project has ended.
  - Costs incurred from the auditor's report may be paid after the project has ended.
- An expense based on an order placed before the beginning of a project phase cannot be allocated to the project except when the order is associated with an option to annul it, linked to the launching of the project.
- The Funding Agency will request additional information separately if required for supervision of the project. Additional information may include copies of receipts, invoice itemisations and the selection criteria for purchased services.



## 8.3 Eligibility of costs

- Eligible costs include costs directly incurred from the production of an audiovisual work, including pre- and post-production, in Finland. Costs incurred in Finland from actions taken to make the work more accessible to disabled persons are also eligible.
- Costs that are not directly related to the production, such as marketing and distribution costs, financing costs and the cost of legal services, are not eligible costs.



## 8.4 Procurement procedures

- If the beneficiary is a public procurement unit or the company has received funding from the Funding Agency or other public funding that covers more than 50% of the procurement, the beneficiary must comply with the Act on Public Contracts. The procurement must be subject to tendering as a public contract when its total value, exclusive of VAT, exceeds the national threshold value set in the law.
  - The Act on Public Procurement is not applied to procurements for the audiovisual industry in the case of purchasing, development, production or co-production procurements of programme material made by providers of the services.
- If a public procurement unit has made a procurement in violation of the procurement provisions, the procurement price is not an eligible project cost.
- The beneficiary must prove that competitive bidding has taken place by attaching a copy of the contract notice published in HILMA ([hankintailmoitukset.fi](http://hankintailmoitukset.fi)) to the cost statement or by providing justification for applying the direct award procedure.



## 8.5 Salaries, declared salaries

- The salaries paid to employees paying taxes to Finland for work done in Finland are subject to approval by the Funding Agency.
- These include the salaries subject to withholding tax for persons who participated in the production, without holiday pay, sick pay and holiday bonus.
- If the remuneration paid is classified as trade income and not as salary, the beneficiary must declare it under "Purchased services" in the cost statement. Utilisation rights (compensation for presentation rights) are declared as they are accounted for, either as salaries or purchased services.
- With regard to an owner, salary costs or the work of the purchase of interests in artistically responsible work (director, scriptwriter, composer, photographer, audio engineer) to a maximum amount of EUR 100,000 per production may be accepted. A person who alone or with a related party owns more than 20 per cent of a company is regarded as an owner.



## 8.5.1 Salaries, working time monitoring

If the beneficiary simultaneously has underway a Funding Agency-funded project whose funding terms and conditions require working time monitoring, all those persons working in both projects must keep records on their working time on an hourly basis.

- Persons that do not come under the Working Hours Act or that do not have any specific working hours, must, in addition to the working hours allocated to the project, also keep records of their total working time.
- The project-related working hours must be allocated to the days on which the work has been done.
- The accountable project leader or the employee's supervisor must approve the working hours at least on a monthly basis. The approval must be entered in the monitoring system.
- The Funding Agency has the right not to accept the salaries in whole or in part if the monitoring of the working time has not been in accordance with the above terms and conditions.
- The material related to working time monitoring, hourly monitoring reports and approved monthly summaries must be kept for a period of ten years after the payment of the last project funding instalment.



## 8.6 Indirect personnel costs

- A maximum of 50 per cent of the salaries paid, which have been approved for the project, will be accepted as indirect personnel costs. If a person is not paid holiday pay, the indirect personnel cost may be a maximum of 30 per cent.
- Indirect personnel costs include
  - holiday pay, sick pay and holiday bonus
  - social security costs
  - other labour costs, including normal staff training and fringe benefits



## 8.7 Purchased services

- Services purchased from third parties can be accepted in accordance with the project plan and invoicing.
- Eligible costs include any costs incurred in Finland from the purchase of goods and services, transport costs and accommodation costs, and the cost of facilities and equipment leased for production purposes, from companies paying taxes to Finland. Other leasing-related expenditure (administrative, funding and other comparable expenditure) is not considered eligible costs. If the abovementioned expenditure cannot be itemised, a maximum of 50 per cent of the total expenditure incurred to the project from a lease agreement can be accepted as project costs.
- The acquisition cost of PCs, mobile phones and other equipment included in the overhead cannot be included in purchases.
- Imputed costs, for example, from the use of own equipment, are included in other costs.
- The costs arising from auditing the project costs can be included in the purchased services.
- Purchased services are itemised in an appendix in a specified format, available on the Business Finland's website.



## 8.7.1 Purchases from other companies in the same group and associated companies (1)

### Definition of an associated company

- Companies are associated with each other if at least 20 per cent of the other company's entire share capital or corresponding shareholders' equity is directly or indirectly owned or controlled by the other company. The Funding Agency may also consider companies as associated companies if the other company has a controlling interest in the other company or can in other ways influence where the other company makes its purchases. Such a situation may arise when the companies have a common Board member, an accountable person, a family member, an employee and/or a funding body.



## 8.7.1 Purchases from other companies in the same group and associated companies (2)

### General principles

- Group companies and associated companies must also observe these terms and conditions for funding. The beneficiary must ensure that the group companies and associated companies arrange project accounting and working time monitoring in a manner that is in accordance with these terms and conditions.
- The group companies and associated companies must provide the beneficiary with an invoice for the services purchased for the project. The Funding Agency may accept costs that the recipient has paid and that the seller has incurred by providing the service. Group-internal administrative costs and items paid as administrative fees are not eligible project costs.
- The Funding Agency will accept the paid purchased services without profit. In order to demonstrate the non-profit nature of the services, the group companies and associated companies must provide the Funding Agency with a separate cost specification of the costs arising from the project.
- The beneficiary must submit the cost specification of the group companies and associated companies and, as part of each report, an auditor's report detailing the costs of the group company. The auditor's report must be prepared by an independent auditor. The report template is available on the Funding Agency's website. The Funding Agency may in exceptional circumstances accept purchased services without a separate cost breakdown even from associated or group companies.
- In addition to direct project costs, indirect personnel costs and other overheads connected with salaries are also eligible costs. A maximum of 50 per cent of the salaries allocated to the project are accepted as indirect personnel costs (see section 8.6). Other costs may be accepted, at the maximum, 20 per cent of the total of salaries and purchase services.



## 8.8 Other costs

- The maximum amount of other costs accepted by the Funding Agency is 20 per cent of the eligible costs referred to in sections 8.5 and 8.7.
- Other costs include, for example, travel expenses, overheads and the producer's fee.
- These costs need not be reported to the Funding Agency, nor do they need to be included in the beneficiary's project accounting.



## 9 Other public funding

- The combined total amount of funding that the project receives from the Funding Agency and other public funding may not exceed 50 per cent of eligible costs. The funding may be increased to 60 per cent in the case of cross-border production of producers from more than one Member State and which are financed by more than one Member State.
- The combined total amount of funding that the project receives from the Funding Agency and other public funding may not exceed the project's maximum limit for public funding. If necessary, the Funding Agency will reduce its own contribution to the same eligible costs to ensure that the maximum amount is not exceeded.
- Details of all other public funding (from the state, municipalities and other public organisations or foundations) must be provided in the cost statement. Funding granted by the European Union must also be reported.
- If any changes has been made to the financing plan during the cost period, an updated plan must be submitted at the time of the statement.



# 10 Reporting after the completion of the project

- The Funding Agency monitors the impact of funding. At the request of the Funding Agency, the beneficiary must report on services relating to the use of the disbursement for three years after the completion of the project



# 11 Changes to the project

- The beneficiary must submit an application to the Funding Agency in advance if the production deviates from the original plan in the following aspects:
  - significant changes to the plan
  - changes to the financing plan
  - changes to the schedule
  - changes to the cost categories
  - significant changes to the division of rights
  - changing the reporting date
  - changing the accountable project leader
- The beneficiary must notify the Funding Agency immediately of any other significant changes, such as changes to the production's key personnel.
- Changes to the bank details shall be notified with the Y1 form on the Business Finland's website.



## 12 Project transfer and corporate reorganisation

- As a rule, a funding decision may not be transferred to a third party.
- The beneficiary must notify the Funding Agency in advance if it undertakes significant business changes or reorganisation activities (such as a merger, a division or significant changes in ownership) during the project.



## 13 Monitoring by the authorities

- The beneficiary must provide the Funding Agency with correct and adequate information so that the Funding Agency can monitor compliance with the terms and conditions of the funding decision and the implementation of the project.
- The Funding Agency, the National Audit Office, the European Commission and the European Court of Auditors have the right to audit the finances and operations of the beneficiary as required for the payment of the funding and supervision of its use.
- The audits can be performed by other authorities or auditors authorised by the Funding Agency to carry out the task. An external expert may, at Funding Agency's request, assist in the performance of the audit.
- Right of inspection is in effect for a period of ten years from payment of the project's last instalment. Project documents and other materials necessary for monitoring and auditing must be stored for a period of five years after the payment of the last project-funding instalment.
- The beneficiary should assist with the inspection and provide the needed information for the inspector without compensation.
- The auditor has the right to seize any material subject to audit, if auditing so requires. A written record must be drawn up of any seizure of materials during an audit. The record must state the purpose of seizing the material and what has been seized. The seized material must be returned without delay when it is no longer needed for the audit.
- The auditor has, to the extent required by the audit, the right to enter the premises managed or used by the beneficiary. This applies to the business, storage and other similar premises used for practising a profession or a business, as well as other areas relevant to the granting of the funding and the supervision of its use. Audits may not be carried out in domestic premises.



## 14 Discontinuation of payments

The Funding Agency may order the payment of funding to be temporarily interrupted on the following grounds:

1. The Funding Agency has reasons to suspect that the beneficiary is not providing the Funding Agency with correct or adequate information or the information that has been requested or uses the funding in a manner that is in violation of the funding decision.
  2. The grounds on which the funding was granted have essentially changed. Such changes include situations where
    - a) the beneficiary deviates from the project plan without the written agreement of the Funding Agency
    - b) there is a substantial deterioration in the beneficiary's financial position in relation to the anticipated trend
    - c) the company loses its entire equity
    - d) the company initiates reorganisation proceedings
    - e) the company accumulates tax debts
    - f) the company has failed to observe the repayment obligations of the loans granted by Funding Agency
  3. the payment of funding must be interrupted under European Union legislation.
- If the grounds for the interruption are not corrected within the time specified in the decision to interrupt funding, the Funding Agency has the right to discontinue the payment of funding and to claw back the funding already provided, in full or in part.



## 15 Repayment of funding

- The beneficiary must, without delay, repay any funding or part thereof received through error, in excess or manifestly without cause.
- Amounts of less than ten euros need not be repaid.
- The beneficiary must contact the Funding Agency before the returning of funding.



# 16 Claw-back of funding (1)

## 16.1 Statutory claw-back

The Funding Agency will issue a decision ordering the discontinuation of the payment of funding and the claw-back of the funding already paid if the beneficiary has

1. failed to return funding or part thereof that must be returned under section 15 of these terms and conditions
2. used the funding for a purpose essentially different from that for which it was granted
3. provided false or misleading information about a matter that has been essential to the granting of the funding, its amount or terms and conditions
4. otherwise essentially violated against provisions concerning the use of the funding in a manner comparable to paragraphs 1-3.



# 16 Claw-back of funding (2)

## 16.2 Discretionary claw-back

The Funding Agency has the right to order the discontinuation of funding and the claw-back of funding or part thereof already provided if

1. false or misleading information has been provided for the purpose of payment of funding or supervision thereof, information has been concealed, the provision of information has been refused or the information requested by the Funding Agency has not been provided by the specified date
2. the funding has not been used in compliance with the funding decision
3. the beneficiary has refused to assist in the project audit
4. the beneficiary has terminated the project for which the funding was granted, reduced or altered it substantially or transferred it to another party
5. the beneficiary has been subjected to recovery proceedings, placed into liquidation or bankruptcy, or made subject to reorganisation proceedings
6. the claw-back of funding is required under European Union legislation
7. the beneficiary otherwise acts in a manner comparable to the matters in this section.



## 16 Claw-back of funding (3)

### 16.3 Interest

- The beneficiary must pay interest on the amount to be returned or clawed back.
- The interest is applied from the date of payment of the funding. It is calculated as an annual interest to which three percentage points are added. The annual interest is determined in accordance with section 3(2) of the Interest Act (633/1982).



# 16 Claw-back of funding (4)

## 16.4 Penalty interest

- If the beneficiary has not returned the amount of the claw-back by the due date set by the Funding Agency, an annual penalty interest must be paid on the amount.
- For the period after the due date, the penalty interest is determined in accordance with the interest rate referred to in section 4(1) of the Interest Act (633/1982).



## 16 Claw-back of funding (5)

### 16.5 Moderation of grant claw-back

- The Funding Agency may decide that a part of the sum to be returned or clawed back, and any interest or penalty interest on it, will not be clawed back if returning the sum in full is unreasonable in light of the financial standing and circumstances of the beneficiary or in relation to the type of property acquired with the funding or in relation to the procedure on which the claw-back is based or because of a change in circumstances.
- For an extremely pressing cause, the Funding Agency may decide not to collect the sum to be returned or clawed back and the interest or penalty interest on it at all.



## 16 Claw-back of funding (6)

### 16.6 Claw-back time limitation

- The funding and interest or penalty interest on it will not be clawed back if ten years have elapsed from remission of the final instalment of funding for the project.



## 17 Funding Agency's right of offsetting

- The funding to be returned or clawed back and the interest on it may be deducted from other funding provided to the beneficiary.



## 18 Misuse

- If, during the course of the project, there is reason to suspect that the beneficiary or a person acting on the beneficiary's behalf has committed a criminal offence under the Criminal Code of Finland (of 19 December 1889), with the Funding Agency as the injured party, the Funding Agency will take the required action in the matter.



## 19 Order of application

In the event of a conflict between the funding decision and appendices to it, the following order of application will apply:

1. Funding decision and any special terms and conditions thereof
2. Funding terms and conditions
3. Cost estimate
4. Production plan
5. Funding application and the appendices to it
6. Any other documents relevant to the funding decision



## 20 Scope of application and legal basis

- Annual state budget
- Act on Discretionary Government Transfers (688/2001)
- Act on General Conditions for Aid Granted to Economic Activities (429/2016)
- Government Decree on Incentive for Audiovisual Productions (1547/2016).
- Act on the Client Information System of Enterprise Services (1039/2010)
- Copyright Act (404/1961), section 16 (821/2005)

