

Manual of Eligible Costs for the INNOVATION INNOVATION Programme – Innovation Project

Within the INNOVATION Programme, an **innovation project** is understood as a project focused on any of the following activities:

- a) Improvement of the technical and utility values of products, technologies and services (**product innovation**).
- b) Improvement of the efficiency of production processes and of provision of services (**process innovation**).

Costs can be eligible for the above-mentioned activities.

1. INVESTMENT COSTS

The differentiation of investment and non-investment costs is governed by the limits pursuant to Act No. 563/1991 Coll., on Accounting, as amended.

1.1 TANGIBLE ASSETS

Tangible assets must always be placed on the site of project implementation (the site of implementation is set forth in the Terms and Conditions) and must be assets belonging to the aid recipient.

1.1.1 *Project documentation (budget item A1)*

Externally purchased services of planning engineers in the creation of documentation for land-use planning and construction proceedings, for introduction of a technology into production, for technical improvement of buildings, structures, machines and equipment.

For SMEs and LEs.

Costs of project documentation for **new construction** are eligible **only for SMEs**. The definition of the types of project documentation corresponds to Decree No. 499/2006 Coll., on Construction Documentation, as amended.

In the case that project documentation is prepared for an entire building but the project is implemented only in part of the building, it is necessary to include in the eligible costs the proportionate part of the project-documentation costs, e.g. according to the square metres of the built-up area and the proportion thereof used for the project. The same applies in the case of project documentation for the installation of machines and equipment, hardware and networks. **It is possible to include in the eligible costs only those costs that involve the project.**

1.1.2 Engineering activities in construction (budget item A2)

Externally purchased services of authorised natural persons pursuant to Act No. 360/1992 Coll., on the Professional Practice of Authorised Architects, as amended.

For SMEs and LEs.

Costs expended on engineering activities for **new construction** are eligible **only for SMEs**.

1.1.3 New structures (budget item A3)

Costs expended on construction works and deliveries for new structures; costs expended on construction works and deliveries in connection with the building of networks can also be included in this category.

Only for SMEs.

Costs expended on construction works and deliveries are in aggregate eligible maximally up to the amount of 20% of the total eligible costs expended on other machines and equipment and hardware and networks, i.e. eligible costs expended on new structures + technical improvement of structures \leq 20% of the eligible costs expended on other machines and equipment + hardware and equipment.

$(A3 + A4 \leq 20\% A5 + A6)$

It is not possible to include under the “New structures” budget item costs expended on project documentation and costs expended on engineering activities in construction. These costs must be listed under item 1.1.1 – project documentation or, as the case may be, under item 1.1.2 – engineering activities in construction.

1.1.4 Technical improvement of structures (budget item A4)

Costs expended on construction works and deliveries for the technical improvement of structures. In accordance with Act No. 586/1992 Coll., on Income Tax, as amended, additions, conversions, structural modifications, renovation and modernisation are considered as technical improvement of structures. This category can further include costs expended on construction works and deliveries connected with the building of networks.

Within this item costs that have the character of repairs and ordinary maintenance are not eligible. Costs expended on technical improvement of buildings must be entered in the accounting as expenditures on long-term tangible assets.

For SMEs and LEs.

Costs expended on construction works and deliveries are in aggregate eligible maximally up to the amount of 20% of the total eligible costs expended on other machines and equipment and hardware and networks.

Under the “Technical improvement of structures” budget item, it is not possible to include costs expended on project documentation and costs expended on engineering activities in construction. These costs must be listed under item 1.1.1 – project documentation or, as the case may be, under item 1.1.2 – engineering activities in construction.

Examples:

- base for CNC press brake
- crane-way girders for trolley cranes
- hoist track
- construction of air-conditioned rooms for measuring instruments, servers, etc.
- renovation of the building in which the project will be implemented (including demolition works, renovation of utilities networks, roof repairs)

1.1.5 Hardware and networks (budget items A5)

Costs expended on the acquisition of servers, personal computers, printers, communication and network equipment (e.g. transmitters, routers, switches), specialised terminal devices (e.g. tablet, scanner, camera, PDA, etc.) and local networks.

For SMEs and LEs.

Costs expended on acquiring used information and communication technologies (ICT), i.e. technologies that have previously been the subject of amortisation, **are not** eligible costs. Furthermore, costs expended on construction works and deliveries connected with the building of networks **cannot** be included in this category. It is necessary to state these costs in the “Technical improvement of structures” category or, as the case may be, the “New structures” category.

Examples:

- servers
- PC stations
- printers, scanners
- data distributors
- switches, routers, patch panels, switchboards, etc.

1.1.6 Machines and equipment including sets (budget item A6)

Costs expended on the acquisition and technical improvement of machines and equipment and operation sets included and not included in the budgets of new structures, technical improvement of structures, machine assembly, laboratory tables.

For SMEs and LEs.

Technical improvement is defined by Act No. 586/1992 Coll., on Income Tax, as amended.

Costs expended on construction works and deliveries connected with the installation of machines and equipment **cannot** be included in this category of eligible costs. It is necessary to state these costs in the “Technical improvement of structures” category or, as the case may be, “New structures” category.

Note: An operating set is an aggregate of machines and equipment, including their assembly and fittings, of an investment character which serves for ensuring a separate technological or non-technological process and is introduced into operation within a coherent timeframe.

Examples:

- CNC machining centre including accessories and assembly
- CNC lathe including accessories and assembly
- CNC press brake including accessories and assembly
- profiling line including assembly
- packing machines
- technical cables to machines and boxes
- punch tool
- hydraulic press
- saw, bending machine
- tools, spray pistol
- storage system, electronic scales, handling equipment
- 3D measuring machine
- air-conditioning/ventilation
- regulation, electronics, control equipment
- hoist

Eligibility for activities a) and b)

1.2 INTANGIBLE ASSETS

Intangible assets must be used exclusively in the operations facility which is the “aid recipient” and must be depreciable assets.

Intangible assets acquired from a company which has dominant influence on the “aid recipient” or vice versa is not an eligible cost.

1.2.1 *Purchase of intellectual-property rights (budget items A7)*

External purchase of knowledge, procedures, authorisation to conduct business activities, e.g. know-how, licenses, patents, company certification, etc.

For SMEs and LEs.

Costs are eligible only under the condition of acquisition of intellectual-property rights from third parties under market conditions. Purchases of individual items in a value greater than CZK 500,000 must be verified by an expert’s assessment. In such a case, the cost is eligible up to the amount stipulated by the expert assessment.

NOTICE FOR LEs: Costs expended on intellectual-property rights and software and data are in aggregate eligible up to the amount of 50% of the total actual eligible

investment costs of the project, i.e. costs expended on intangible assets are eligible only up to the amount of eligible costs expended on tangible assets.

Examples:

- license for use of a patent, utility model, invention, non-patented know-how (connected with technology transfer)

1.2.2 Software a data (budget items A8)

Costs expended on the acquisition of software, programs and licenses necessary for the use of hardware; purchase of data, databases and updating thereof.

Software is considered as basic software (operating system, database system, communication system), application software and software for modelling and development of information systems.

For SMEs and LEs.

NOTICE for LEs: Costs expended on intellectual-property rights and software and data are in aggregate eligible up to the amount of 50% of the total actual eligible investment costs of the project, i.e. costs expended on intangible assets are eligible only up to the amount of eligible costs expended on tangible assets.

Examples:

- software for newly acquired computers
- MS Office, PDF Creator, etc.
- CAD/CAM systems
- other specific software necessary for the optimal functioning of the project

2. OPERATING COSTS

2.1 SERVICES

2.1.1 Services of consultants and experts, studies (budget items A9)

Externally purchased services of consultants, experts and specialists and studies, analyses, certifications, approvals, etc. prepared by them.

The stated services may not have the character of a permanent or regular activity and may not be connected with the company's ordinary operating costs for services, such as ordinary tax advisory services, regular legal services or advertising.

Costs expended on the preparation of aid applications, payment applications and preparation of monitoring reports **are not** eligible costs.

Only for SMEs.

Aid for these costs is provided maximally up to the amount of 50% of the eligible costs expended on obtaining such services.

Examples:

- certification and approval of products by the relevant authority
- preparation of an environmental impact assessment for the project and other assessments necessary for carrying out the investment
- services of consultants when introducing a new technology into production, etc.

2.1.2 Special training (budget items A10)

Costs connected with training employees in connection with the operational use of an acquired technology.

Only for SMEs.

Costs expended on these services are eligible up to the amount of 20% of the total eligible costs of the project.

Aid for these costs is provided maximally up to the amount of 45% of the eligible costs expended on obtaining these services.

2.1.3 Website creation

Costs connected with website creation aren't eligible costs in the fourth Call for proposals – Innovation project – continuation.

2.1.4 Mandatory publicity (budget items A11)

Costs ensuing directly from project-publicity obligations stipulated by the aid provider.
For SMEs and LEs.

Examples:

- posters, plaques, adhesive labels on machinery

2.2 PERSONNEL COSTS**2.2.1 Wages and insurance (budget items A12)**

Costs expended on the wages and social-security and health insurance of key employees participating directly in the project's implementation (only persons in an employment relationship with the recipient). Social-security and health-insurance payments are bound to the wage amount.

The following **are not** eligible costs: wage and insurance costs directly ensuing from ordinary operation, expenditures which by their nature particularly fulfil a stabilisation function, e.g. pension insurance, life insurance, gifts for life occasions, contributions for recreation, etc.

Only for SMEs.

Examples:

- wages/salary of the project manager, chief technologist, etc.

3. SPECIFICATION OF NON-ELIGIBLE COSTS**The following are not eligible costs:**

- costs expended on basic research, applied research and development pursuant to Act No. 130/2002 Coll., on Support for Research and Development, as amended
- costs expended on the purchase of intellectual-property rights from the parent company or a subsidiary (this did not apply for Call I)
- costs expended on **tangible** assets on which a supplier performs production (e.g. forms)
- costs expended on used machines and equipment, including information and communication technologies (ICT), i.e. assets that have been previously used by another entity in operation.
- VAT, if the aid recipient is a VAT payer
- loan and credit payments
- sanctions and penalties
- leasing
- costs for warranties, insurance, interest, bank fees, exchange-rate losses, customs and administration fees
- costs connected with legal disputes
- costs arising prior to the date of the project's commencement (prior to this date it is not possible to conclude a contract, issue orders, pay invoices or deposits, or begin construction work; the date of taxable fulfilment on the invoice must be after this date)
- costs expended on assets acquired by capitalisation

Note: The Manual of Eligible Costs for the INNOVATION Programme – Innovation Project is derived from the annexes of Call IV – Definition of Eligible Costs, Rules of Cost Eligibility – general section, and Rules of Cost Eligibility – specific section. The Manual does not supersede these annexes but only explains them and supplements them with practical examples.