Fact Sheet 9 – Deducting revenue from project payment claims

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Version 1	27.04.15	

This Fact Sheet does not apply to beneficiaries participating in the programme as part of an approved State Aid scheme!

Core message: All revenues (payments to the project other than the grant) must be deducted from amounts claimed. This can be done (i) in advance by estimating expected revenues and reducing the project budget accordingly or (ii) after payment of revenues – in which case all revenues received within 3 years of the end of the project must also be reported and deducted.

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Background

Revenue resulting from project activities can occur both during implementation and after closure of a project. This Fact Sheet explains how to treat these revenues in North Sea Region projects.

Revenue and net revenue during implementation

All revenues generated by project activities during the implementation of the project must be deducted from the eligible costs claimed. Revenue means cash in-flows directly paid by external users for the goods or services provided by the project.

The most common sources of project revenue are entrance fees for events, charges for films, DVDs, books and publications etc. Revenue can also be generated from payments for the use of infrastructure, sale or rent of land or buildings, or payments for services provided by the project.

Where revenue generating activities involve operating costs and replacement costs for short-lived equipment, these expenses can be deducted from the revenue. The resulting net revenue is then deducted from the amount to be claimed from the programme. The basis for the calculation and reimbursement of ERDF from the programme is always:

Eligible costs - (net) revenues = Net eligible costs

Revenue and net-revenue after completion

If a project generates or expects to generate revenue after the completion of the project, this should ideally be taken into account from the start of the project by calculating the expected revenue and deducting this from the project budget. Different methods exist and projects which can use this model must contact the Joint Secretariat for further advice[1].

Most North Sea Region projects will find that it is not realistic to determine revenues in advance using any of the approved methods because of the small amounts of revenue involved and uncertainty about whether potential revenues will be realised. Where this is the case, the actual net revenue generated must be monitored and reported for three years after completion of the project. These amounts will have to be paid back to the programme.

There is one exception: Projects whose total eligible costs are less than €1,000,000 do not always have to take account of revenue and net revenue after project closure. Projects falling into this category should contact the secretariat for further advice.

Regulations

- Regulation (EU) No 1303/2013 of the European Parliament and the Council of 17 December 2013 laying down Common Provision Regulation, (the CPR Regulation) Article 61

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[1] When calculating the net revenue in advance, different methods exist:

A. Application of a flat rate net revenue percentage for the relevant sector. If e.g. the sector in question is the energy sector then the flat rate for the energy sector must be applied.
B. Calculation of the discounted net revenue of the project taking into account the reference period appropriate to the sector in which the project is implemented.

The method by which the net revenue is deducted from the eligible expenditure must comply with national rules in the member state in which the net revenue is generated