

SMART: SCOTLAND Programme

Application form for SMART Feasibility Grant



SMART: SCOTLAND Programme

Application form

This guidance applies only to the SMART: SCOTLAND Programme. If you are in another part of the UK you should contact the government department or Regional Development Agency responsible for the equivalent programme in your area.

SMART: SCOTLAND grants are 'notified state aid'. So your spending on a SMART: SCOTLAND feasibility study project does not qualify for SME R&D tax credit. However, if you are a registered company, you may still be able to benefit under the large company R&D tax credit scheme. There is more information on state aids on the EU website at www.eur-lex.europa.eu, and more information on the R&D tax credit scheme on the HM Revenue and Customs website at www.hmrc.gov.uk/randd

Main elements of the scheme

The SMART: SCOTLAND Programme currently offers grants for Feasibility Studies.

If you are a small SME (fewer than 50 employees and a turnover of no more than €10 million), you may be awarded up to 70% of the eligible project costs towards technical and commercial feasibility studies. If you are a medium SME (fewer than 250 employees and a turnover of no more than €50 million), you may be awarded up to 60%.

You may be awarded up to 50% of any costs of protecting intellectual property rights that are created by your project.

Your project must last between six and 18 months and the maximum grant is £100,000. One third of the grant is paid up front, after which the remaining grant is normally paid every three months against claims made for the previous three months.

We have been guaranteed funding from the European Commission's European Structural and Investment Funds (ESIF) to contribute towards the support we provide to eligible SMEs. If you are awarded a grant and meet ESIF eligibility criteria, the grant offer letter

will confirm this. You will need to provide evidence to support your claim before you can receive the grant. Details of the evidence we need will be included in the offer of grant.

Eligibility criteria

Who is eligible?

Individuals planning to set up a business and SMEs are eligible to apply if they are based in Scotland or planning to set up in Scotland. An SME is a company which:

- meets the European Commission definition of a 'small and medium-sized enterprise';
- has fewer than 250 full-time equivalent employees (including partners and executive directors); and

has an annual turnover of no more than €50 million or an annual balance sheet total of no more than €43 million.

The exchange rate for converting pounds to euros is on the website at:

www.ec.europa.eu/budget/inforeuro/index.cfm?fuseaction=currency_historique¤cy=72&Language=en&Delim

We actively encourage applications from companies that are set up by universities.

Charities, sole traders, companies limited by guarantee and awarded charitable status for tax purposes, trade and business associations, and research and technology organisations cannot apply for funding.

The SMART: SCOTLAND programme supports single companies. It cannot provide support to joint ventures or collaborative projects.

We are committed to encouraging applicants from all backgrounds and sectors. We will treat all applications equally.

Copies of this application form are available from our website at

www.scottish-enterprise.com

To be kept confidential You must fill in all sections of this application form. If you are a registered company, an Executive Director must sign it. If you are a partnership, a partner with authority to sign on behalf of all partners must sign it.

Please note: Before filling in this application form, we suggest that you contact us to discuss your project. This generally leads to a quicker turnaround of your application.

If you are awarded a grant, we may publish information from sections 2 to section 12 and sections 17, 18, 21.1 and 21.2 of this form. Please type your answers or write in black ink using BLOCK CAPITALS. If there are boxes, please put a cross in the correct box. Read the guidance notes carefully before you fill in the form.

To apply you must fill in the application form below and provide a detailed project proposal, business plan and other supporting documents, as set out on page 8 of this form. Do not alter this form in any way as we will reject your application.

Do not start your project or commit to spending before you have received an offer of grant from Scottish Enterprise.

Contact with the SMART: SCOTLAND team

1 Have you already contacted a SMART: SCOTLAND Programme Executive about your project?

Yes No

If **yes**, please provide their name

Your details

2 Your business name (or your name and trading name, if an individual)

3 Your business address and postcode (address for correspondence)

Address Postcode

4 Who should we contact to discuss your application?

Contact name

Telephone

Email

Position in organisation

5 When did you start trading? (If your business is not yet trading, give a proposed start date)

Trading start

6 If you are a registered company, what is your company registration number/when were you registered?

Registration number

Date registered

7 Is your company a member of a group? Yes No

If **yes**, give the name, address and postcode of the holding company, its company registration number and the country that company was incorporated in.

Holding company name

Address

Postcode

Registration number

Country incorporated in

8 Please give the total number of employees (full-time equivalent) in your business and the group (if your company is part of a group) and tell us where they are employed.

In your business

Where they are employed

In your group

Where they are employed

Definition of a full-time equivalent (FTE)

(a) an individual employee who is employed directly by the company for 30 or more hours per week calculated on the basis of the total number of hours worked (including allowance for annual leave and any other leave entitlement under their contract of employment or otherwise) in a 52-week year; OR

(b) One or more individual employees who are each employed directly by the company for less than 30 hours per week or for a period of less than 52 weeks per year or both, together are employed for a total of 30 or more hours per week or for a period of 52 weeks or more a year, or both

9 If your business is a registered company, please list the shareholders and the number and type of shares held by each of them. If your business is not yet formed, give details for the proposed shareholdings. If there are, or will be, more than six shareholders, give details for the other shareholders on a separate sheet attached to this form.

Shareholder

No. Shares

Type

10 Please list all partners or company directors (including yourself if appropriate). If your business is not yet formed, list the proposed partners or directors.

11 Please provide details below of all businesses which any executive director has had an interest in, or control over, in the last five years. (If none, please write "none" in the box below.)

Continue on a separate sheet if necessary and attach to this form.

Project details

12 Please give a brief title of the project (Up to 20 words)

13 Please give a description of the project (50 to 100 words)

14 For your proposed project, provide six to 10 key words that will allow the Intellectual Property assessor to carry out an accurate search of patents.

15 Where in Scotland is the main work to be done?

Your business address (as Q4 above)

Address

A different address (please detail below)

Postcode

22 Have you or your business ever applied for, or been connected with an application for, financial support from Scottish Enterprise or another public body?

Note: public bodies must let businesses know that the support they are receiving is 'de minimis aid'.

If you have not been told that the help you have received, or applied for, is de minimis aid, it is safe to assume that it is not.

Yes No

If **yes**, please give details on a separate sheet attached to this form (for example, your company name at the time of the application, the year the application was made, what the scheme was, the outcome of the application and so on). In particular, please include information on all de minimis aid (see the note above) you or your business has received in the past three years and indicate the amount of aid received.

23 Has any executive director ever been prosecuted for fraud or disqualified from becoming a director?

Yes No

If **yes**, please give details on a separate sheet attached to this form, but do not include it in your project proposal. This does not necessarily affect your chances of getting a SMART: SCOTLAND grant.

24 Has any executive director ever been an owner, share-holder, director or senior executive of any business which went through any insolvency proceedings or stopped trading for any other reason?

Yes No

If **yes**, please give details on a separate sheet attached to this form, but do not include it in your project proposal. This does not necessarily affect your chances of getting a SMART: SCOTLAND grant.

25 Are there any contractual obligations in place which mean you are already committed to carrying out this project? Yes No

26 Fill in the table below to show:

your annual turnover in your most recent audited or management accounts and the number of employees you currently have;

the estimated growth in your annual turnover and number of employees if you do not get this grant; and the estimated growth in your annual turnover and employment if you get this grant.

	Current turnover and number of employees	Estimated growth in turnover and number of employees WITHOUT this grant	Estimated growth in turnover and number of employees WITH this grant
Turnover	£	£	£

When by?

Employees

When by?

Fair work practices

As part of our appraisal we will consider your approach to fair work practices, including transparency on gender-equal pay and zero-hours contracts. <https://scottishbusinesspledge.scot/>

27 Does your business use zero-hour contracts? Yes No

If yes, please provide details of

- the circumstances in which they are used; and
- any difference in terms and conditions in comparison to other employees

Checklist

Please ensure that you have included the following mandatory documents. If you fail to supply any of the mandatory items we need, your application may be rejected.

Mandatory Application documents

	Does not apply	Enclosed	Reference Number (in your proposal)	
A detailed project proposal	<input type="checkbox"/>	<input type="checkbox"/>		
A project timetable	<input type="checkbox"/>	<input type="checkbox"/>		
CVs for key project and management staff	<input type="checkbox"/>	<input type="checkbox"/>		
Your business plan	<input type="checkbox"/>	<input type="checkbox"/>		
Filled-in cost estimate (Excel workbook)	<input type="checkbox"/>	<input type="checkbox"/>		
Integrated profit and loss, balance sheet and cashflow projections for two years, or for three years if project is for more than two years. (We provide a template but your own format is acceptable as long as the projections are quarterly.)	<input type="checkbox"/>	<input type="checkbox"/>		
If your business is established and needs to have its accounts audited: send your last two years' audited accounts. (If these are more than three months old, you must also provide up-to-date management accounts.) ;OR			<input type="checkbox"/>	<input type="checkbox"/>
If your business is established and does not have to have its accounts audited: send your last two years' annual accounts. (If these are more than three months old, you must also provide up-to-date management accounts.) ;OR			<input type="checkbox"/>	<input type="checkbox"/>
If your business was recently set up and you do not have any audited, annual or endorsed accounts: send your unaudited or management accounts for the previous three months, if appropriate. ;OR			<input type="checkbox"/>	<input type="checkbox"/>
If your business is part of a group: send the same types of accounts as the parent and holding companies.			<input type="checkbox"/>	<input type="checkbox"/>

Optional Support Documents

	Does not apply	Enclosed	Reference Number (in your proposal)	
Evidence of intellectual property rights	<input type="checkbox"/>	<input type="checkbox"/>		
A copy of patent application (if appropriate)	<input type="checkbox"/>	<input type="checkbox"/>		
Evidence of offers of financial help	<input type="checkbox"/>	<input type="checkbox"/>		
Evidence of market interest	<input type="checkbox"/>	<input type="checkbox"/>		

Declaration

Please read this carefully before signing

By signing this application, you acknowledge that the information provided in this application may comprise company information and personal data (as defined in the General Data Protection Regulation (EU) 2016/679 and the Data Protection Act 2018 (“Data Protection Law”). Any personal data provided in the application will be processed by SE in accordance with Data Protection Laws and held in accordance with Scottish Enterprise’s privacy notice, which can be found at <https://www.scottish-enterprise.com/help/privacy-notice/your-rights>. Individuals can find information on their rights in respect of the personal data we hold by also visiting our privacy notice.

The information provided in this application may be shared and used by Scottish Enterprise, The Scottish Government, Highlands and Islands Enterprise and other associated bodies such as local delivery organisations, consultants and agents collectively referred to as ‘the Agencies’, to assess its suitability for support. If the application is successful, the Agencies will use the information provided in this application form for administration and management purposes, including carrying out appropriate checks and audits. Some information may also be passed to auditors, the European Commission or its agents for administrative purposes.

By signing this application, you are confirming that you are the data controller of personal data contained in this application and that this personal data can be processed by Scottish Enterprise for the purposes outlined above. If successful you will also be the data controller for the personal data provided as evidence.

By signing this application, you are giving “the agencies” (Scottish Enterprise, The Scottish Government, Highlands and Islands Enterprise and other associated organisations such as local delivery organisations, consultants and agents) permission to use the information you have provided in this application, including personal information, to assess your suitability for support. If your application is successful, the agencies will use the information in this application form for management purposes, including carrying out

appropriate checks, audits and marketing. Some information may also be passed to auditors, the European Commission or its agents.

The information you provide in this application form will be kept confidential, except where any law or regulation that applies states that we need to release it (for example, under the Freedom of Information (Scotland) Act 2002 or any code relating to providing access to information held by public bodies).

If your application is successful, we will publish information from sections 2 to 4, section 12 and sections 17 to 21 of this form, both in hard copy and on the internet, to make potential applicants, investors, the general public and other interested parties aware of the types of projects and businesses receiving SMART: SCOTLAND grants.

If your application is unsuccessful, we would generally pass your name and address (but not details of your project proposal) to other departments within Scottish Enterprise and Highlands and Islands Enterprise. This is so that Scottish Enterprise and Highlands and Islands Enterprise can consider whether there are any suitable alternatives to SMART: SCOTLAND funding, or whether they can help you in any other way.

If you do not receive support from the European Structural and Investment Funds (ESIF), the information you provide will not be given to any other organisation for any purpose other than detecting or preventing fraud. To detect or prevent fraud, information may be given to:

- subcontractors employed by Scottish Enterprise for the purpose of preventing and detecting fraud;
 - other Scottish Enterprise departments (and their subcontractors) responsible for providing grant support in Wales and Northern Ireland;
 - Highlands and Islands Enterprise, Invest Northern Ireland, IUK, local authorities and their subcontractors;
 - The Department for Work and Pensions;
 - HM Revenue and Customs; and
- Law enforcement agencies.

If you receive support from the European Structural and Investment Funds, we will give information about you and the grant (including evidence you have provided) to auditors, the European Commission or its agents.

Scottish Enterprise's representative for the purposes of the Data Protection Act is:
Corporate Office, Scottish Enterprise, Atrium Court, 50 Waterloo Street, Glasgow G2 6HQ
Telephone 0141 228 2636

If you give information which you know is untrue or misleading, you may be committing an offence which could lead to you being prosecuted.

By signing below, you are agreeing that the following statement is true:

I declare that as far as I know and believe, the information on this form, and any other information given to support this application, is correct. I authorise you to make any enquiries you consider necessary (including checks with credit-reference agencies) for my application, as long as the information will not be used for any purpose other than assessing the grant. I agree that all or part of this application may be copied or stored, and copies made available to internal and external assessors. I understand that any copies made for assessment purposes will be destroyed after the assessment is over. I agree that if this application is successful, the information given in sections 2 to 4, section 12 and sections 17, 18 and 21 can be published in hard copy and on the internet.

Signature

Date:

Name (BLOCK CAPITALS):

Position in your organisation:

Please note this must be someone authorised to sign on behalf of the company

Guidance notes

Your project proposal

What should the project proposal include?

The proposal should be consistent with the requirements of these guidance notes. It should distinguish clearly between information and figures relating to the SMART: SCOTLAND project and those relating to the rest of the business. Details of the rest of the business should be given in the business plan.

The proposal should be written in clear terms so that the Programme Executive responsible for assessing it can understand it. You must also provide enough technical detail to allow an expert to assess the project. Provide drawings, flow diagrams and so on if they would improve clarity. The proposal should be on A4 paper, with the pages numbered.

Please follow the format and headings below. We will only proceed with proposals which use the headings below and which provide all the necessary information.

Section 1 | The project

1.1 Overview

Give an overall description of the project, why it is desirable and what you hope to achieve.

1.2 Objectives

Objectives should contain realistic targets and an indication of when they are expected to be achieved (the milestones). You should state:

- what measurable technical objectives you expect to meet by the end of the project; and
- what measurable commercial objectives you expect to meet after the project is completed.

1.3 Technological innovation

To assess the technological innovation associated with the project, you should provide a clear technical description of the product or process that you intend to develop. This should be drafted in terms of what you believe will be its main technical and innovative features. Describe, in technical detail, what you consider inventive and makes your project different from existing products or processes. Include diagrams where appropriate.

You should also explain why the project is a significant technological step forward for the industry or sector. We recognise that the level of innovation will differ from industry to industry, but to help us assess this, please state whether the results of your project will produce something which is new in international terms, in UK terms, or for your own sector.

1.4 Technical challenges

You will have considered the technical uncertainties and problems associated with the feasibility study or creating a pre-production prototype. SMART: SCOTLAND supports projects that have significant technical challenges and problems. In order to assess the nature and extent of these challenges and problems, you must provide a detailed description of all the research and development activities involved in the project, including:

- each of the major technical problems to be solved;
- the technical approaches you will adopt in solving these challenges;
- an assessment of the chances of the project being technically successful; and whether the risk associated with each challenge is high, medium or low.

1.5 Project timetable

You must include a bar chart (or Gantt chart) to show the planned progress against all of the technical milestones of the project. These should highlight the major work packages and relate to the technical challenges above.

1.6 Business background and project management

Give an outline description of your own and your business's background and experience. Describe any relationships which your business, or any partners or directors in your business, has with a parent company or other companies.

In particular, describe:

- your or your business's experience in the areas related to the proposed project;
 - the relevant qualifications and experience of the senior staff involved on the project (include CVs as annexes); and
 - how the project will be managed.
- Include details of who will manage the project and describe the roles of employees and any consultants

or subcontractors who will be involved in the project.

As SMEs are not usually in a position to carry out more than one significant research and development project at the same time, if you are currently doing another project you must mention this and demonstrate that you have enough resources (staff and funding) to run two projects at the same time.

For projects involving staff who are employed by you and another business or organisation at the same time, such as an educational institution, you need to demonstrate that staff will be available for the necessary tasks.

1.7 Wider impact

Describe the wider impact, if any, that your project might have in fields such as health and safety, detecting and preventing crime, public good, quality of life and the environment.

You can express this in terms of efficient use of resources, clean technologies or carbon footprint (for example, the environmental effects arising directly as a result of the activities being funded, such as energy use (electricity, gas, transport fuels, other fossil fuels) and travel as a direct result of the project).

You should consider the longer term effects, referring to any increase or reduction in carbon arising from generating electricity or heat (often arising from increased production or improved efficiency) as well as providing an assessment of the likely wider impact of the project's use of materials and the waste produced.

Section 2 | Intellectual assets

2.1 Background intellectual property

You must provide evidence that you are entitled to use the intellectual property involved in your project (for example, a copy of a patent in your name, a licensing agreement or details of your own patent search). If you have applied for a patent, enclose a copy of the application.

Otherwise, you must provide us with detailed technical and innovative information relating to the project to help the Intellectual Property assessor search for any previous work in the field. We will keep the information you provide confidential, and this is not a 'public disclosure' (so your patent filing date is protected).

2.2 Foreground intellectual property

You should state how you intend to protect any intellectual property created as a result of the

project. You should note that any intellectual property (for example, patents and copyright) created must be owned by the business that receives the SMART: SCOTLAND grant.

Section 3 | Marketing and commercial exploitation

3.1 The market

Is the market emerging (new), niche (specialised), growing, saturated (supply is higher than demand) or in decline? How much demand is there for your product or service?

What is the potential income for the industry and the growth rate, and how was this determined? Provide details of your proposed route to marketing your product or service.

3.2 The customer

Who are your target customers?

Can a list of potential customers be generated? If so, are individual names known and are they willing to pay for the product or service?

Is there any evidence of customers thinking the idea is valid? If so, please provide independent references.

3.3 Value proposition

What is the compelling value you are offering your customers? That is, what is the product's or services' unique selling point?

Who is your competition, what do they offer and how do they compete (for example, price, service, features, benefits, availability and so on)?

3.4 Business model

Explain the procedure from your product or service being ordered to it being delivered.

Provide details of your pricing strategy.

Is it profitable with good profit margins?

(Unit price – cost of goods sold = gross profit)

3.5 Product/service development

Explain what needs to be done to get the technology into a product and take it to market.

State who will do this and what it will cost.

Comment on the following areas as appropriate:

- Design
- Prototyping
- Testing
- Regulations.

3.6 Marketing and sales

Describe your sales and marketing strategy and your sales process. Explain what access you have to sales and marketing expertise.

3.7 Timescales and investment

What is the estimated time until the first sales? What level of investment (working capital) is needed for product development, marketing and operational costs?

3.8 Exit strategy

What are your probable 'exit scenarios' which may result in the project being abandoned or coming to an end (for example, a management buy-out or company sale).

Section 4 | Need for support and project costs

4.1 The need for SMART: SCOTLAND support

You must demonstrate that you need a SMART: SCOTLAND grant to proceed with the project. Explain why you need financial help and how it would affect the project. For example, you might otherwise not carry out the project at all, or you might have to do it on a much smaller scale (you should say how much smaller), or over a longer period (say how much longer). This should demonstrate what SMART: SCOTLAND support would make happen that would not have happened otherwise.

Explain your business criteria for deciding how to use your own funds, indicating competing claims on your resources from other projects. If appropriate, give details of your business's spending on research and development over the past two years. State whether the project has been approved by the company board and the priority attached to the project.

Describe how you will fund the project. List the private or public sources of financial help you have applied for in connection with the project (for example, development agencies, banks, business angels, venture capital companies and corporate venturers), and describe the outcome. Statements of financial support for the SMART: SCOTLAND project must be backed by written evidence (for example, a copy of a loan agreement or overdraft agreement).

Any predictions of the support you will get (including any support predicted in your cashflow

projections) must be proved before we can offer a grant.

If your application is successful and you are receiving funds from any other public-sector source for the same project, or any of the costs associated with the project, the amount of SMART: SCOTLAND grant offered will be reduced pound-for-pound unless the public-sector support is being provided on a commercial basis. Similarly, loans which are provided at less than commercial rates may reduce the amount of SMART: SCOTLAND grant we offer.

4.2 Project costs

Include a description of what is included under each subheading in your estimates of the project costs. All costs should be before VAT unless your business is not registered for VAT. The following list is a guide to which costs are eligible, but you should also list any others which you feel should be considered and provide a detailed breakdown of all the project costs to show spending on a quarterly basis. SMART: SCOTLAND funding is not available to cover miscellaneous costs and contributions in kind. All costs included in the estimate must actually be your responsibility and be paid for by you. Please note that any money spent on the project before the agreed project start date will not be eligible for SMART: SCOTLAND funding.

Salary costs - State your rates of staff costs and estimate the pay to staff working on the project and the amount of time each person is likely to spend working on the project. Include the names of staff members if you know this. Salary costs must be reasonable for the expertise needed. Your estimate should indicate the actual salaries each person will be paid, but please note that the eligible staff costs a grant will be paid on are limited to no more than an annual full-time equivalent salary of £60,000 per person. To receive support for salary costs, we will need full payroll information (for example, payslips, timesheets, BACs runs, bank statements and details of National insurance contributions you have paid) and evidence of you paying the salary costs.

Salary costs should not:

- include any posts that have been specially created and are currently being part-funded with support from the Regional Selective

Assistance (RSA) job creation scheme, or from other publicly funded incentives; or relate to staff that are based outwith the EU Member States.

Overheads - Reasonable overheads are covered by the grant, but unusually high costs need to be justified. Include pension costs. Salary overheads should be capped, based on an annual full-time equivalent salary of £60,000 per person. For example, if an employee earns an annual full-time equivalent salary of £70,000 a year, eligible pension contributions and National Insurance contributions will be based on the £60,000 salary limit. Provide a breakdown of the overhead figure to show how it is made up.

Overheads can include the following:

- Rent
- Rates
- Utilities
- Cleaning and repair
(must be abnormal and project-related)
- Insurance
- Technical manuals
IT, network and server costs.

Materials used are those bought from third parties. If you will use stock you bought before the project start date, you must agree this with the Programme Executive during the application process. You must provide a transfer document, signed by the director, confirming the quantity of stock used by the project and the total cost of the materials used. You must also provide a copy of the original purchase invoice for the materials supplied as well as confirmation that the invoice has been paid. If waste or scrap material has a significant residual or resale value, your estimate of costs should reflect this.

Consultants and subcontractors - If a proportion of the project costs is allocated for the cost of consultants or subcontractors, or fees for trials and testing, you should explain why the work cannot be carried out more effectively and cheaply in-house and identify who will be carrying out the work. Consultancy and subcontracted work performed outwith the European Economic Area is not eligible for SMART: SCOTLAND support. Confidentiality or non-disclosure agreements should be in place with all third parties working on the project. Any intellectual property resulting from that work must be owned by your business. Directors' time claimed on a

consultancy or subcontracted basis must not include any profit and the eligible costs the grant will be paid on are limited to no more than an annual full-time equivalent fee of £60,000.

Fees for trials and testing are eligible, but certification fees are not eligible.

Technical manuals - the cost of preparing technical manuals is eligible for support if they are necessary for the project. However, the cost of printing 'user manuals' is not eligible.

Intellectual property costs may include the costs associated with buying in or licensing the rights to use other people's intellectual property (as long as they are not associated with your business) as well as the costs of protecting intellectual property arising from the project.

Market assessment - up to 15% of the grant can go towards the costs of limited market assessment (but not market research or survey costs) to make sure that your project will continue to meet the identified market need. Market assessment means visits or discussions about the proposed product or process with potential clients, end users and so on.

Training costs - must be specific to the project. This includes training to enable staff to undertake specific tasks on the project, or training to familiarise staff with technology that has been licensed in specifically for the project.

Travel costs and expenses directly related to the project are eligible for support (for example, travel to monitor trials or for market-assessment visits).

Accountancy fees - You will need a report from an independent accountant for the final claim relating to the feasibility study.

Equipment costs - The cost of equipment is eligible only if it is needed for the project. Only equipment you get within the project period is eligible. List each item of equipment included in your project costs and indicate the cost, as well as whether you are buying it outright, leasing it or buying it on hire purchase.

Buying equipment outright - If you are buying the equipment outright, the eligible cost is the

depreciation (reduction in value) from the time the equipment is bought to the end of the project. IT equipment should normally be depreciated over 36 months (1,095 days) and all other equipment over 48 months (1,460 days) on a straight-line basis. For example, if a computer bought for £1,500 on day 1 of the second quarter forms part of the eligible costs of a project lasting 12 months, the eligible cost would be the purchase price divided by 36 and multiplied by the number of months remaining in the year ($£1,500 \div 36 \times 9 = £375$). Both the gross and residual values should be shown in the table of costs.

Software - If there is software involved in SMART: SCOTLAND projects, this should be depreciated as follows:

- For generic software (for example, Windows, Word, Excel, PowerPoint, CAD), this should be depreciated over three years.

In projects using specialised software that will not have a value at the end of the project, this should be fully depreciated over the project period.

Leased equipment - If you are leasing the equipment, the eligible costs are the leasing costs due during the project period, not including any interest or service charges.

Hire purchase - The eligible costs are calculated by depreciating the hire-purchase payments due during the project period, not including any interest or service charges. IT equipment should normally be depreciated over 36 months and for all other equipment over 48 months on a straight-line basis. When calculating eligible costs for hire-purchase equipment, use either of the hire-purchase costs due or the depreciation charge, whichever is less. For example, if a computer is to be bought for £1,500 (not including VAT) on hire purchase over 24 months, and your SMART: SCOTLAND project lasts 12 months, then the total hire-purchase costs due during the project period are £750. Assuming the item was bought on day one of the project, and the item depreciated over 12 months, the residual value of this item would be £500. As the hire-purchase costs are higher than depreciation, the eligible cost in this example would be £500.

Costs

The following costs are not eligible:

- VAT (unless your business is not registered for VAT)
- Contributions in-kind
- Inflation and contingency allowances
- Preparing your SMART: SCOTLAND application
- Work carried out before the start, and after the end of, the project
- Posts funded by RSA or spending included in other publicly-funded projects
- Salary costs above an annual full-time equivalent of £60,000 per person
- Fees your directors charge, as consultants or subcontractors to the business, above an annual full-time equivalent fee of £60,000 per person
- Salary and other related costs for staff based outwith the European Economic Area
- Interest charges.
- Debts you cannot recover
- Buying land and buildings
- Profit earned by a subsidiary or related business for providing materials, acting as subcontractors, providing consultancy services or carrying out trials or testing
- Consultancy and subcontracted work performed outwith the European Economic Area
- Printing any operating, service and maintenance manuals
- Licensing intellectual property from a subsidiary or related business
- Marketing and sales
- Market research and survey
- Training costs related to selling or distributing the developed product or process
- Accountancy costs that are not specific to the project
- Equipment for manufacturing production
- Equipment bought or leased before the project start date
- Interest and service charges arising from hire purchase, leasing or credit arrangements
- Dividends
- Advertising and entertaining
- Certification fee.

We encourage and support everyone applying for grant to develop an approach to investing in young people (including considering a target for youth employment as a percentage of their workforce), innovation in the workplace, and fair and responsible business practices. If you would like to find out more about this, phone the appraisal team on 0845 607 8787.

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Scottish Enterprise

Atrium Court

50 Waterloo Street

Glasgow G2 6HQ

Helpline: 0845 607 8787

Email: enquiries@scotent.co.uk

Website: www.scottish-enterprise.com

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