Frequently asked questions about the start-up grant (2021–2027)

1. **Are the connections of board members/shareholders also checked in relation to non-profit associations?**

Yes, if the non-profit association has received entrepreneurial income.

2. **The start-up grant regulation was amended on 12 July 2024, changing the growth potential requirement: the performance indicator of achieving an increase in sales revenue by the end of the second project year was removed from the requirements. If I received the approval before 12 July 2024, will the growth requirement for sales revenue at the end of the second project year still apply?**

The amendment to the regulation is retroactive and projects that have received a decision before 12 July 2024 are also subject to the amendment, i.e. capability to achieve sales revenue of either 80,000 euros or 40,000 euros by the end of the second project year, depending on the region. Sales revenue growth in the second year compared to the first project year is no longer considered.

3. **If a company has several areas of activity, of which one is the relevant project activity, do the financial forecasts have to be completed on a project basis or on a company-wide basis?**

Financial forecasts must be completed on a company-wide basis.

4. **If a company has several areas of activity and one of them is an excluded area, can the company still apply?**

If the project that the application is for is in an area of activity that meets our conditions, they are eligible. The company must be able to distinguish between these two different areas in its accounts and the results will be reviewed in terms of the area of the project receiving the grant, i.e. sales revenue must be generated within the supported area.

5. **How will the grant be paid once the funding decision has been made?**

The grant is paid on a standardised unit cost basis, i.e. for all projects the project cost is 25,000 euros, of which 20,000 euros is the grant and 5,000 euros is own contribution. The total cost of a project cannot be less than 25,000 euros.

The grant is paid in two instalments. <u>The first payment of</u> 15,000 euros is made if, within three months of the funding decision, a full-time job position that fulfils the minimum wage requirement has been created, and an interim report consisting of a bilaterally signed employment contract and an extract from the employment register has been submitted within four months to prove this. The job can be created and the interim report submitted as soon as the decision is received.

<u>The second payment of</u> 5,000 euros is made upon submission of the final report after the project has been completed (after 24 months; the final report cannot be submitted earlier) if the new position has been retained from the moment of its creation until the submission of the final report, the minimum wage (according to the current law) has been paid and the sales revenue target (80,000 euros in Tallinn and Tartu and 40,000 euros elsewhere in Estonia) has been achieved by the end of the second project year.

6. **How long are the project period and the project year?**

The project period for all applicants is 24 months and a project year is 12 months.

7. **If a company fails to pay the wage for e.g. 2 months during the two-year project period, will the requirement still be considered fulfilled?**

As payments are made based on a standardised unit cost methodology, i.e. a specific unit cost and a specific result have been set, if the requirement are not met, the second payment of 5,000 euros will not be made and it will be considered whether a financial correction applies to the first payment of 15,000, resulting in a repayment obligation.

8. **Can the position be created for a member of the management board of the company?**

Yes, this is allowed if there is no valid employment contract with the person prior to submitting the application. A full-time equivalent contractual job position must be created.

9. **Can several part-time positions be created?**

Yes. It is important that there should be at least one full-time equivalent job in total. E.g. two positions with 50% workload that both meet the minimum wage requirement.

10. **Can an existing position also be considered to fulfil the grant requirements?**

No, the new position must be created after the decision to approve the application has been made.

11. **How is the company's sales revenue performance indicator determined if the company's service is mobile?**

Sales revenue forecasts should be looked at by region, as well as whether there are enough customers for that specific area of activity in that region. For example, if the service is mobile but more than 50% of the sales come from Tartu, the growth requirement of 80,000 euros applies.

12. **Can transactions be made between related parties?**

As we do not check cost statements, we do not look at who you have purchased services/materials from or to whom you sell your services.

13. **Can a co-founder of the company be from a foreign country?**

Yes, there are no restrictions in this respect.

14. **Am I excluded from the Unemployment Insurance Fund's support for starting a business if I want to apply for the start-up grant?**

No, you are not excluded. It is important to ensure that there will be no double funding, i.e. that the same activities are not supported by the Unemployment Insurance Fund and the EIS.

15. **If I am currently active in a certain area of activity and I want to start a new business in a new area using the start-up grant, can I change my area of activity?**

The area of activity according to the Business Register and the area of activity of the project may differ. With the next annual report, the scope of activities will be aligned in the Business Register. Connections are checked in relation to the selected project

area. The area of activity chosen must correspond to the actual content/business of the project.

16. If a company has an existing inactive business, i.e. its annual accounts are zero, but its area of activity is the same as that of the new business that the application is for, will there be a connection and an exclusion?

Yes, then there is a connection and you will not be eligible to apply.

17. Is a joint application possible, i.e. two applicants applying for a grant to set up a joint company?

No, this is not possible. Only one company may apply.

18. Do any restrictions apply to one natural person wanting to apply for the grant through two different companies?

There is no restriction if the areas of activity and the actual business of the projects are different. If the company has received a start-up grant under Regulation No. 20 of 9 March 2015 of the Minister of Foreign Trade and Entrepreneurship "Start-Up Grant", the start-up grant cannot be reapplied for.

19. When applying, do I have to use the business plan form and financial forecasts developed by EIS? Can the business plan be in English?

Yes, all applicants must use the same form. A business plan cannot be presented on any other form. As the application is in Estonian, all the forms are in Estonian and must also be submitted in Estonian. The documents for the round opening in 2026 will have a reference to “Start-Up Grant 2026” in their headers.

20. Does the own contribution have to be verifiable? Do I have to submit an account statement?

The source of the own contribution must be described, but no separate supporting documents are required. We will not check whether it is in the company's account.

21. Until when will applications be accepted?

This is an open call for applications and applications will be accepted as long as funds are available.

22. What happens to the grant if the company changes its area of activity?

If the project has been assessed on the basis of a specific area of activity and business and this changes at the moment of project implementation, the grant must be paid back. EIS must be notified of any such changes.

23. There are no direct restrictions on how the grant can be used, so what can I use it for?

The grant may be used to carry out the operations and activities necessary for starting a business. There is no separate list of eligible and ineligible costs. The only requirement for the implementation of activities is to ensure that the activities supported do not cause significant damage to environmental aims. For example, it is not allowed to purchase vehicles/equipment using fossil fuels within the framework of the project, in accordance with Section 1(7) of the Regulation concerning the measure, which excludes fossil fuels ((EU) 2021/1058 Article 7(1): investments related to production, processing, transport, distribution, storage or combustion of fossil fuels.

24. Can a limited partnership and general partnership apply?

An applicant for the grant can be a company and according to the Commercial Code, which defines what constitutes a company, a limited partnership and general partnership are considered companies and are therefore eligible to apply.

According to the requirements for applicants under Section 11(1) of the grant regulation, legal entities may hold up to a 25% stake in the applicant. In the case of a limited and general partnership, the articles of association, which specify the liability of the partners, must be checked in the Business Register. If the liability of a legal entity exceeds 25%, the company is not eligible to apply.

25. As part of the project, it was required to create at least one full-time job position with a minimum wage. If we hire a long-term unemployed person with reduced capacity to fill this position, for whom we receive a wage subsidy and partial coverage of the social tax, is this suitable for fulfilling the requirement, or will the creation of this position be looked at more from the perspective of tax payments (as we would have to pay less tax for an employee with reduced capacity but we would still pay the minimum wage)?

The position created under the project must be permanent. A long-term unemployed person with reduced capacity to work may be hired to replace an employee currently working at the position created under the project. Here, care must be taken to avoid double financing, i.e. if the wage is also covered by the start-up grant, it constitutes double financing. If the wage is not covered by the start-up grant, it is important to ensure that the position created under the project is maintained on a full-time basis and that the wage is paid for full-time work, which must be at least the minimum set by the Government of the Republic (subject to change every year). There are no other obstacles.

26. What should be done if an employee recruited under the project goes on parental leave?

A replacement must be found to fill the same position on a fixed-term contract to replace the employee on parental leave. The position is not person-specific, but it is important to retain the position created and to pay a wage (gross wage after tax) at least equal to the minimum established by the Government of the Republic. The same applies when an employee leaves.

27. If an employee has been sick and the minimum wage is not fully paid, is this a problem?

If the remuneration under the employment contract is at least the minimum wage set by the Government of the Republic and the employee is absent from work in accordance with the law (sick leave, leave, etc.), then everything is in order and the remuneration paid can be lower in proportion to the period of absence.

28. Due to internal problems within the company, the need has arisen to sell the company's intellectual property and transfer the obligations under the start-up grant to a new company, as the current company is no longer able to achieve the objective, but would still like to do so.

- **The intellectual property created and start-up commitments taken by the current company are sold to the new company for 0 euros, as there is nothing to sell or develop at the moment, i.e. the product has no value. We will fulfil our obligations under the new company.**

You are allowed to transfer the implementation of the project to another company, i.e. to change the beneficiary. The new project implementer must also meet the application requirements and the project itself must continue to progress as planned towards. The implementing body must be notified of such changes in advance in writing and the implementing body will check their compliance with the requirements. Changes to the team are allowed. The other option is to waive the grant, also by giving a written notice. It must follow Section 11 of the regulation *Requirements for the applicant.* The new applicant (company) taking over the project must meet these requirements.

29. Is there a durability requirement for funded projects and how is this monitored?

Under the terms of the start-up grant, the duration of the grant is **three years** from the **date of final payment of the project**. The durability requirement arises from Article 65 of Regulation (EU) No 2021/1060 of the European Parliament and of the Council and from Article 22(6) and Article 26(2) of the grant regulation.

According to the durability requirement, the beneficiary must ensure that the result of the project – including the service, job, activity, infrastructure or other planned output – is maintained for at least three years from the date of the final project payment.

In terms of job retention, it is not necessary to retain a specific contract of employment, but any changes should be directly related to the continuation of the business. What is important is that the function of the job position and the company's activities as intended by the project continue, not that the same employee or exactly the same job title remain unchanged for three years. The durability requirement is not aimed at the retention of a specific employee, but at the sustainable continuation of the supported activity.

The company must continue to carry out the activities for which the project was set up and the service for which the employee was recruited must continue for the duration of the durability claim. The existence of an employee is an indication we check, but if the company explains that the activity for which the grant was requested is still ongoing, there is no breach of the durability requirement.

During the durability requirement period, the full-time position created under the project does not have to be maintained under the same conditions as during the project period, i.e. full-time and at the minimum wage rate. The purpose of the durability requirement is to ensure the continuation of the activities launched with the grant, not to maintain a specific job or employee.

If the tangible assets acquired during the project become obsolete or break down, they may be replaced by assets performing an equivalent function, provided that the economic activity of the project is continued for the required three years from the date of the final payment**.**

A follow-up check will be carried out on the durability requirement on a sample basis. No separate additional report needs to be presented to the implementing body; checks are carried out on the basis of information in other public registers and, if necessary, the implementing body will contact the selected undertaking.

30. It is indicated in the application assessment that artificial intelligence will be used to assess applications that are deemed to meet the requirements. Are projects assessed and decisions made by artificial intelligence?

In the first stage of data analysis, artificial intelligence is used as a tool to speed up the grant process and reduce the time and volume of additional expert assessments. Artificial intelligence will help analyse the eligibility of applications, but it will not make decisions on funding or non-funding. All decisions are always made by the people working at EIS on the basis of the selection methodology in place.