

## Guidance Note 10 Revenue

### I. Definitions

**Revenue** is defined in the EU regulation<sup>1</sup> as cash in-flows directly paid by users for the goods or services provided by the project, such as charges borne directly by users for the use of infrastructure, sale or rent of land or buildings, or payments for services.

**Net revenue** is revenue as defined above less any operating costs and replacement costs of short-life equipment incurred during the corresponding period<sup>2</sup>.

#### A. What projects does this apply to?

All projects generating revenue from the use of the project's infrastructure, from the sale or rent of lands and buildings or from the provision of a service **may be affected**. Revenue is defined as cash in-flows directly paid by users. This includes tariffs, tolls, fees, rents or any other form of charge directly borne by the users. It also includes operating cost-savings unless they are offset by an equal reduction in operating subsidies<sup>3</sup>.

A project may generate revenue during the project's implementation (e.g. organisation of an event for which participants have to pay an entrance fee) or after the project's closure (e.g. an exhibition that would start after the project's closure). For each scenario, further explanations are provided in the following section.

### II. Treatment of revenue

#### A. Net revenue identified at application stage<sup>4</sup>

The eligible expenditure shall be reduced in advance taking into account the potential of the project to generate net revenue over a specific period covering both the implementation of the project and the period after its completion.

If known beforehand, the amount of net revenue should be specified in the Application Form, in the net revenue budget line. Net revenue will be deducted from total eligible expenditure and will consequently decrease the ERDF contribution.

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<sup>1</sup> Article 61(1) of Regulation (EU) No 1303/2013

<sup>2</sup> Ibid.

<sup>3</sup> Ibid

<sup>4</sup> Article 61(2) of Regulation (EU) No 1303/2013

## B. Net revenue generated during project implementation<sup>5</sup>

If a project foresees that it will generate revenue during the project's implementation, an estimation of the amount of revenue<sup>6</sup> shall be indicated in the budget of the Project Partners concerned (a specific budget line is available in the Application Form). An automatic formula in the Application Form ensures that the amount of estimated revenue is deducted from the total Partners' and projects budgets.

All revenue (including those not foreseen at application stage) generated during the project's implementation must be reported in the Partner Reports. The Project Partner that generates revenue shall ensure that the reported amount corresponds to the reality, keeping account of all revenue including the required documentation.

The First Level Controller of the Partners concerned shall check that the reported revenue is in line with the information stated in the Application Form. Any additional unforeseen revenue must be declared in the Partner Reports and deducted from the total eligible budget at disposal of the project.

If the project is subject to State Aid rules, the net revenue will not be deducted unless national rules request otherwise<sup>7</sup>.

## C. Net revenue generated after the project's closure

If it is foreseen that net revenue will be generated after the project's end, for instance to ensure the durability of the project's results, it must be deducted from the project budget at the application stage. Therefore, when the net revenue is generated after the project closure, an estimation of the amount of net revenue shall be indicated in the budget of the relevant Project Partner.

Where it is objectively not possible to estimate the revenue in advance, the net revenue generated within 3 years of the completion of the project or by the Programme closure deadline, whichever is earlier, shall be reported to the JS and deducted from the expenditure declared by the Programme to the European Commission.

Project Partners should be aware that if they temporarily donate land to a project and it returns to them after the completion of the project, any increase in value as a result of improvements made to the land financed by the project shall be treated as revenue, and the eligible expenditure of the project will be reduced to take this into account.

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<sup>5</sup> Ibid.

<sup>6</sup> The calculation methodology for revenue estimation is defined in Articles 15 to 19 of Delegated Regulation (EU) No 480/2014

<sup>7</sup> Article 61(8) and Article 65(8) of Regulation (EU) No 1303/2013