



To all institutions
at the University of Tübingen

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Centralization of the accounting office from January 2022

Tübingen, 29.10.2021

Circular no. 13 / 2021

**New rules for accounting in research projects subject to tax, as of
01.01.2022**

Dear members of the University,

New EU rules require fees to be charged on research projects subject to tax; these fees are to be calculated on a full cost basis plus a profit surcharge. On 13.10.2021, the President's Office decided on new calculation rules - with regard to the regulations at other universities and at the Faculty of Medicine - for projects that are launched on or after 01.01.2022.

Accordingly, an overhead surcharge of **40%** is calculated on the direct costs necessary for project creation. This surcharge is divided equally between the project manager and the central costs. All direct costs are to be booked to the project account. Direct costs also include the project leader's and/or associated working group researchers' own research work.

The surcharge covers all overhead costs, in particular infrastructure and administrative costs as well as professorial management.

For details, please refer to the enclosed concept.

In addition, a new calculation scheme is enclosed; it is also available in the download area of the Third-party funds management website.

Yours sincerely,

Dr Andreas Rothfuss
Executive Vice-President



Tübingen, 06.10.2021

Concept for the implementation of separation accounting for economic activities associated with the University of Tübingen as of 01.01.2022

Preliminary remarks

Since the EU framework for state aid for research, development and innovation came into force on January 1, 2007, all European universities and research institutions have had to prove that their economic work such as contract research and services, are offered at market prices. Otherwise, there is a risk that state subsidies provided to universities and research institutions for the fulfillment of sovereign tasks will be regarded as subsidies for their economic activities. If grants from the state are judged in part or in full to be "cross-subsidization", any funding received (especially EU, BMBF) may have to be repaid.

The "20% clause" was introduced by the EU's framework of 01.07.2014. This states that research institutions that are active with at least 80% of their capacity in the non-economic sector are exempt from the regulations of the EU Framework under certain conditions. This is likely to apply to the University of Tübingen. However, commentators agree that this situation must continue to be demonstrated by means of separation accounting. The new clause does, however, reduce the risk of having to repay funding due to any inadmissible subsidies.

Nevertheless:

- Separation accounting is explicitly required by the auditors.
- Third-party sponsors within the area of project applications - such as the German Ministry of Education and Research (BMBF) and the EU - now increasingly demand confirmation that separation accounting is carried out.
- State budget law and the university financing contract require full cost recovery for economic projects.

University of Tübingen previous concept

Under current tax law, economic activity is delimited by the rules governing commercial operations (in German, **BgAs**). In the case of all operations subject to income tax, the costs are recorded in full as part of determining the earnings before interest and taxes. In this context, it should be noted that commercial operations that serve the public sector's own needs are not counted as commercial

operations within the meaning of the framework. Attachment 1 lists the University of Tübingen's commercial operations with the separation accounting allocation. This will continue to be part of the University of Tübingen's separation accounting.

For **contract research** operations exempt from income tax, **the regulations of July 8, 2015** previously applied to calculation and accounting.

Due to developments in the supra-local university sector and in medical faculties, revised regulations will take effect **for new projects from 01.01.2022:**

1. Calculation of contract research projects

The calculation of project costs consists of

- the direct personnel and material costs booked to the project (this also includes the project leader's and working group researchers' own work)
- an overhead and profit surcharge of 40%

Calculation with higher surcharge rates (over 40%) is possible. This does not lead to an increase of the amount retained by the University, if applicable.

2. Accounting procedure

a) Overhead billing

The University surcharge of 20% of the current net income is booked off the project by the Third-party Funding section. The project management's overhead share is transferred to the project management's cost center before the final account (expenses at the project, income at the cost center)

b) Project invoicing

Contract research projects must be invoiced promptly after the service has been rendered. For this purpose, a written statement of the project's income and expenses must be prepared and a result determined. The statement must be confirmed by the project manager and the third-party funding administration. Expenses unrelated to the project may not be financed directly from the project accounts. Upon conclusion of a project, any remaining surplus in the project account shall be transferred by the third-party funds administration to an available third-party funds account in the project manager's name.

3. Exceptions

- 3.1 The President's Office may allow exceptions to these regulations in individual cases if the project management demonstrates that
- the research contract is of considerable strategic importance for the subject or the University as a whole or that the contractual partner is a non-profit or public-law institution
 - and that in each case full cost calculation is not feasible.

3.2 Until further notice, projects commissioned by the **BW Foundation** are not considered as economic activities and need not be calculated according to these guidelines.

4. Applicability to the area of "application of established findings"

The above-mentioned calculation and overhead rules also apply to projects counted as the "application of verified findings".

However, these projects are included in the separation accounts via the earnings before interest and taxes.

5. Other

The calculation regulations do not apply to projects from which a research allowance is to be paid. In this case, Ministry of Science guidelines must be followed on a case-by-case basis.

This concept was approved and released for implementation by the President's Office at its meeting on October 13, 2021.