

Approved by Rector's directive No 59 of 28 November 2022

Amended by Rector's directive No 29 of 13 July 2023

In force from: 13.07.2023

Approval of the overhead allocation rates and indirect cost rates used for pricing

Based on clause 6.4 of the Financial Regulations approved by Rector's directive No 32 of 15 July 2022,

1. I hereby approve the following rates of overheads allocated to the general funds:

1.1 The overhead allocation rate of 15 % is applied to contracts and agreements, incl. the following revenue:

1.1.1 continuing education service fees;

1.1.2 other revenue from teaching, excluding revenue from teaching within the framework of joint study programmes;

1.1.3 revenue from business contracts and services;

1.1.4 other revenue from research and development;

1.1.5 revenue from economic activities and other revenue.

1.2 Overhead allocation to the general fund is accounted for upon receipt of revenue.

1.3 The overhead allocation applied to project grants, except grants passed on to partners, is calculated in the amount allowed by the funder, but it shall not exceed 15% of the grant received to cover the direct costs. From 01.01.2023, the aforementioned overhead allocation rate of 15% shall be applied to ongoing and starting projects funded by the Estonian Research Council research grants. From 01.08.2022 to 31.12.2022, the overhead allocation rate is applied to the Estonian Research Council research grants in the amount allowed by the funder.

1.4 A structural unit has the right to apply overhead costs to project grants (excluding Estonian Research Council research grants and grants passed on to partners), the eligibility period of the funded actions of which begins on 1.08.2022, in the amount of 10% of the grant received to cover the direct costs, provided that the university's overhead allocation of 15% has been accounted for in advance and the amount of the allocation does not conflict with the rules established by the funder. In the case of the Estonian Research Council project grants, the rate above shall be applied to ongoing and starting projects from 01.01.2023.

1.5 The overhead allocation applied to project grants shall be calculated in accordance with the following principles:

Receipt of the grant from the funder	Calculating and making entries of overhead costs at the university
the grant is received after the costs have been incurred and have been approved by the funder	after receipt of the grant, allocation entries are made within a quarter
projects receiving a grant advance or projects where grant is received in parts (e.g. first an advance payment and at the end a balance payment after approval of the report)	twice a year (at the end of the half-year and the year), the expenses incurred, including the expenses not reported to the funder, are taken into account when making an entry

1.6 The provisions on project grants apply to grant agreements.

1.7 The 0% overhead allocation rate is applied to:

1.7.1 internal settlements;

1.7.2 receipts of compensation of expenses;

1.7.3 participation fees for conferences organized by the university;

1.7.4 revenue from book sales;

1.7.5 capital receipts;

1.7.6 donations;

1.7.7 project grants passed on to partners.

1.8 An allocation shall be paid on tuition fees of degree studies, which shall be allocated directly for the implementation of the budget of the support units (i.e. not to the general fund). The allocation rate is decided during the preparation of the budget.

1.9 If subcontracting is used upon performing a contract, the overhead allocation rate applied to the part of the contract performed by the university shall be calculated as specified in clause 1.1. and the allocation rate applied to the subcontract can be calculated as indicated in the table below.

Share of subcontracting of the main contract	Overhead allocation rate
20–25%	14%
26–30%	12.5%
31–35%	11%
36–40%	9.5%
41–45%	8%
46–50%	6.5%
51–70%	5%
Over 70% or over 100,000 euros	As decided by the Chief Financial Officer

1.10 In order to apply the overhead allocation rate to a subcontract, the structural unit shall submit to the Finance Office the subcontracting agreement and an application for retransfer of the overhead allocation.

1.11 Exemptions from the overhead allocation rates can be requested if the total value of the project, mediated grants not included, is over 1 million euros, the project is of strategic importance to the university, and the request for an exemption is made prior to submitting an application to the funder. The head of the structural unit preparing a project application shall submit a request for an exemption to the Chief Financial Officer at least 4 weeks before the deadline for submitting the application.

1.11.1 The exemptions currently applied are the following:

1.11.1.1 The overhead allocation rate applied to the contracts and project grants of the FinEst Centre for Smart Cities is 1/3 of the general fund allocation rate (5 % at the time of signature). The exemption applies to the financing sources of the FinEst Centre for Smart Cities. [entry into force 13.07.2023]

1.11.1.2 The overhead allocation rate applied to the project grants of the Digital Europe Programme in the AIRE EDIH project is 1/2 of the direct costs reimbursement rate allowed by the funder (3.5 % at the time of signature). The exemption applies to the AIRE financing sources of the Technology Transfer Office.

2. When pricing the services or work to be performed (the revenue referred to in clause 1.1), the estimated indirect costs shall first be applied to the direct costs incurred. The amount of the indirect costs shall be calculated based on the specific service or work and in compliance with the provisions of clause 22 of the Financial Regulations.

3. The price of the services must include indirect costs in an amount that covers at least the overhead allocation.

4. I hereby repeal the Rector's directive No 1-8/33 of 18 July 2022 "Approval of the overhead allocation rates and indirect cost rates used for pricing".