



The EU Framework Programme
for Research and Innovation

HORIZON 2020



Annotated model grant agreement

Articles 1 to 6

Version 1.1
20 December 2013

Disclaimer

The purpose of the Annotated GA is purely to explain the obligations of the beneficiaries under legal texts (in particular, the GA, the Rules for Participation, the Financial Regulation) and it cannot derogate from them. This is only a first draft that it is still under discussion and that may still change substantially. The final wording will depend on the result of these discussions. Presentation, numbering and references may still be adapted.

Research and
Innovation

Foreword

The ‘Horizon 2020 Annotated Model Grant Agreements (Annotated GA)’ is a user guide that aims to explain the General Model Grant Agreement (‘General Model GA’) and the different specific Model Grant Agreements for the Horizon 2020 Framework Programme for 2014-2020¹.

The purpose of this document is to help users understand and interpret the GAs, by avoiding technical vocabulary, legal references and jargon, and seeking to help readers find answers to any practical questions they may have about particular parts of the GAs.

In the same spirit, the document’s structure mirrors that of the GAs. It explains each GA Article and includes examples where appropriate.

Our approach

1. The text of the relevant article appears shaded in grey, to differentiate it from the annotations.

The concepts that are annotated are bold and in blue.

The annotations to the article are immediately underneath.

Long articles are split into different parts, so the annotations can be placed below the relevant parts.

2. As the Annotated GA intends to be comprehensive, it will cover all possible options envisaged in the different GA articles.

Many of these options may not be relevant to your grant (and will not appear in the grant agreement you sign, or will be marked ‘not applicable’).

The chosen options will appear in italics (without brackets and without the option title), to allow you to easily spot that a specific rule applies.

The Annotated GA will be periodically updated with new examples and explanations, based on practical experience and on-going developments.

① For more information, see the Horizon 2020 Online Manual and the Horizon 2020 Grants Manual (available on [H2020 Online manual - Research Participant Portal](#)).

¹ **Horizon 2020 Framework Programme** — Regulation (EU) No **XX/2013** of the European Parliament and of the Council of **XX** establishing Horizon 2020 - The Framework Programme for Research and Innovation (2014-2020) (**OJ XXX**).

Euratom Research and Training Programme (2014-2018) — Council Regulation (Euratom) No **XX/2013** of **XXX** on the Research and Training Programme of the European Atomic Energy Community (2014-2018) complementing the Horizon 2020 – The Framework Programme for Research and Innovation (OJ **XXX**).

Horizon 2020 Specific Programme — Council Decision **2013/XX/EU** of **XXX** establishing the Specific Programme Implementing Horizon 2020 - The Framework Programme for Research and Innovation (2014-2020) (OJ **XXX**).

Rules for Participation (RfP) — Regulation (EU) No **XX/2013** of the European Parliament and of the Council of **XX** laying down the rules for the participation and dissemination in Horizon 2020 – the Framework Programme for Research and Innovation (2014-2020) (OJ L **XX, XX, p.XX**).

I. General Model Grant Agreement

MULTI-BENEFICIARY GENERAL MODEL GRANT AGREEMENT

GRANT AGREEMENT

NUMBER [insert number] — [insert acronym]

This **Agreement** ('the Agreement') is **between** the following parties:

on the one part,

*[OPTION 1: the **European Union** ('the EU', represented by the European Commission ('the Commission'))¹,]*

*[OPTION 2: the **European Atomic Energy Community** ('Euratom'), represented by the European Commission ('the Commission'),]*

[OPTION 3: the [Research Executive Agency (REA)] [European Research Council Executive Agency (ERCEA)] [Innovation and Networks Executive Agency (INEA)] [Executive Agency for Small and Medium-sized Enterprises (EASME)] ('the Agency'), under the powers delegated by the European Commission ('the Commission'),]

represented for the purposes of signature of this Agreement by [[function, [Directorate-General, Directorate, Unit] [Department]], [forename and surname],²

and

on the other part,

1. 'the coordinator':

[full official name (short name)][legal form], [official registration No], established in [official address in full], [VAT number], represented for the purposes of signing the Agreement by [function, forename and surname]

and the following other **beneficiaries**, if they sign their 'Accession Form' (see Annex 3 and Article 56):

2. [full official name (short name)][legal form], [official registration No], established in [official address in full] [VAT number],

[OPTION for beneficiaries not receiving EU funding: X. [full official name (short name)] [legal form], [official registration No], established in [official address in full] [VAT number], as 'beneficiary not receiving EU funding' (see Article 9).]

[same for each beneficiary]

*[OPTION if the JRC is a beneficiary: and X. the **Joint Research Centre (JRC)** established in [official address in full], if it signs the administrative arrangement (see Annex 3b)].*

Unless otherwise specified, references to 'beneficiary' or 'beneficiaries' include the coordinator *[OPTION if the JRC participates: and the Joint Research Centre (JRC)]*.

The parties referred to above have agreed to enter into the Agreement under the terms and conditions below.

By signing the Agreement or the Accession Form *[OPTION if the JRC is a beneficiary: or the administrative arrangement]*, the beneficiaries accept the grant and agree to implement the action under their own responsibility and in accordance with the Agreement, with all the obligations and conditions it sets out.

The Agreement is composed of:

Terms and Conditions

- Annex 1 Description of the action
- Annex 2 Estimated budget for the action
- Annex 3 Accession Forms

[OPTION to be used if Article 15 applies if joint and several liability has been requested by the [Commission][Agency]: 3a Declaration on joint and several liability of linked third parties]

[OPTION if the JRC participates: 3b Administrative arrangement]

- Annex 4 Model financial statements
- Annex 5 Model for the certificate on the financial statements
- Annex 6 Model for the certificate on the methodology

¹ Text in *italics* shows the options of the Model Grant Agreement that are applicable to this Agreement.

² *The person representing the [Commission][Agency] must be an authorising officer (by delegation or sub-delegation) designated in accordance with document 60008 of 22.02.2001 'Mise en place de la Charte des ordonnateurs'.*

CHAPTER 1 GENERAL

ARTICLE 1 — SUBJECT OF THE AGREEMENT

This Agreement sets out the rights and obligations and the terms and conditions applicable to the grant awarded to the beneficiaries for implementing the action set out in Chapter 2.

1. Beneficiaries

‘Beneficiaries’ means the legal entities who have signed the Grant Agreement (GA) with the Commission/Agency (i.e. a ‘**participant**’² in an action supported by a grant).

The signature arrangements are the following:

- the **coordinator** directly signs the GA;
- the **other beneficiaries** sign the GA by signing the Accession form.

Amendments to the GA, if any, will be signed by the coordinator on their behalf.

 An applicant who accepts the grant by signing the GA becomes a beneficiary of the grant and is bound by the entirety of its terms and conditions.

 Other entities which participate in the action but do not sign the GA (including entities linked to the beneficiaries) are considered as ‘**third parties involved in the action**’.

They are not bound by the terms and conditions of the GA; conversely, the Commission/Agency has no obligation vis-à-vis third parties.

² For the definition, see Article 2.1(11) of the Rules for Participation: ‘**participant**’ means any legal entity carrying out an action or part of an action under Regulation (EU) No [XX/2013 \[Horizon 2020\]](#) having rights and obligations with regard to the Union or another funding body under the terms of this Regulation.

CHAPTER 2 ACTION**ARTICLE 2 — ACTION TO BE IMPLEMENTED [— COMPLEMENTARY GRANT] [— JOINTLY FUNDED ACTION]**

The grant is awarded for the **action** entitled [insert title of the action] — [insert acronym] ('action'), as described in Annex 1.

[OPTION for complementary grants if foreseen in the work programme: The grant is a 'complementary grant' to [the grant agreement(s) under the call(s) for proposals [call identifier(s): H2020 — theme —]] [the following complementary grant agreement(s) No(s):

- [insert number] [insert acronym]
- [insert number] [insert acronym].]

[OPTION for joint actions (joint call with a third country or an international organisation): The action is a 'jointly funded action' which must be coordinated with the 'joint action' called [insert the name of the third country or international organisation action], as described in Annex 1.]

1. Action

The term '**action**' is used in the Financial Regulation³ and means '**project**', which is the term traditionally used in EU Research Framework Programmes.

2. Complementary grants

Complementary grants are other EU grants funded under the specified topics or calls supporting actions which are identified as complementary actions in the work programme.

They must share results and access rights to each other.

 The beneficiaries must conclude a written 'collaboration agreement' with complementary beneficiaries regarding the coordination of the complementary grants and the work of the action (see Article 41.4). It covers the case included under Special Clause 41 in FP7.

3. Jointly funded actions

Joint actions (called 'coordinated calls' in FP7) are the results of joint calls for proposals with third countries or their scientific and technological organisations and agencies or with an international organisation, launched in priority areas of common interest and expected mutual benefit where there is a clear added value for the EU.

 The beneficiaries must conclude a 'coordination agreement' with the partners of the third country or international organisation action (see Article 41.5).

³ **Financial Regulation (FR)** — Regulation (EC, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the European Union (OJ L 298, 26.10.2012, p.1).

Rules of Application (RAP) — Commission Regulation (EC, Euratom) No 1268/2012 of 29 October 2012 on the rules of application of 1 Regulation (EC, Euratom) No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union (OJ L 298, 26.10.2012, p.1).

ARTICLE 3 — DURATION AND STARTING DATE OF THE ACTION

The duration of the action will be **[insert number] months** as of [*OPTION by default: the first day of the month following the date the Agreement enters into force (see Article 58)*] [*OPTION if needed for the action: insert date*]³ (**starting date of the action**).

³ This date must always be the first day of a month and it must be later than the date of entry into force of the agreement unless authorised otherwise by the authorising officer, if the applicant can demonstrate the need to start the action before the entry into force of the grant agreement. In any case, the starting date should not be earlier than the date of the submission of the grant application (Article 130 FR).

1. Starting date of the action

The starting date of the action is fixed by the Commission/Agency in the GA.

It is usually the first day of the month following the date when the GA enters into force. The GA enters into force when the last party signs it (see Article 58).

A fixed starting date may also be agreed between the Commission/Agency and the consortium.

Exceptionally, the Commission/Agency may agree that the action starts **before the entry into force** of the GA (i.e. before the grant agreement is signed by both parties), provided that the consortium requests it (usually in its proposal) and can show that there is a need to start the action earlier (*e.g. an action that is dependent on environmental conditions*).

Example:

Grant agreement signed by the coordinator on 30.12.2014. Commission signs on 5.1.2015. The starting date of the action would normally be the 1.2.2015, but the consortium has requested a fixed start date of 1.9.2014 in its proposal (submitted by the consortium on 15.5.2014), as the action funded is the continuation of a previous FP7 project. Upon consideration of the reasons, this fixed start date is approved.

 If the coordinator, for the whole consortium, requests a fixed starting date prior to the expected entry into force of the GA, it (the consortium) assumes the risks implied by starting the project before the GA is signed, in particular not being reimbursed for the costs incurred (*e.g. the eventuality that the proposal is not successful or that the GA is not signed*)

 In any case, the starting date cannot be earlier than the date of the submission of the proposal.

A starting date fixed **later** in time (*e.g. 2-3 months after the signature of the GA*) will have an impact on the timing of the pre-financing payment and will delay it.

ARTICLE 4 — ESTIMATED BUDGET AND BUDGET TRANSFERS**4.1 Estimated budget**

The ‘**estimated budget**’ for the action is set out in Annex 2.

It contains the estimated eligible costs and the forms of costs, broken down by beneficiary [(and linked third party)] and **budget category** (see Articles 5, 6, [and 14]). *[OPTION to be used if Article 9 applies: It also contains the estimated costs of the beneficiaries not receiving EU funding (see Article 9).]*

4.2 Budget transfers

The estimated budget breakdown indicated in Annex 2 may be adjusted by transfers of amounts between beneficiaries or between budget categories (or both). This does not require an amendment according to Article 55, if the action is implemented as described in Annex 1.

The beneficiaries may not however:

- *[OPTION if lump sum foreseen in Article 5.2: adjust amounts set out as lump sums in Annex 2;]*
- **add costs relating to subcontracts** not provided for in Annex 1, unless such additional subcontracts are approved in accordance with Article 13.

1. Estimated Budget

The estimated budget of the action is calculated on the basis of the estimated eligible costs submitted by the consortium and is annexed to the GA (Annex 2).

These estimated eligible costs are used to determine the ‘maximum grant amount’ (‘EU/Euratom financial contribution’ in FP7 projects) of the action (see Article 5.2).

Costs of beneficiaries not receiving EU funding will be indicated in Annex 2, but will not be included in the total eligible costs and will not count for the maximum amount of the grant (see Article 9).

2. Budget categories

The budget categories are listed in Article 6.2 and reflected in the table in Annex 2.

For the General Model GA, these are:

- direct personnel costs;
- subcontracting;
- other direct costs;
- costs of providing financial support to third parties (if option applies);
- indirect costs, and
- specific categories of costs (if option applies).

 The budget category ‘specific categories of costs’ only applies when a Commission decision has specifically foreseen to use:

- unit costs for one or several categories of costs for specific activities (they may include both direct and indirect costs).

For the General Model GA, this is currently provided for:

- costs of providing transnational access to research infrastructures (see Article 6.2.F);
- costs of energy efficiency measures in buildings (see Article 6.2.F);
- lump sum costs for one or several categories of costs for specific activities (they may include both direct and indirect costs).

This option is currently not foreseen for the General Model GA.

3. Budget transfers

The budget in Annex 2 is an estimation.

Therefore at the time of reporting, beneficiaries may declare costs that are different from the estimated eligible costs in the budget.

In particular, beneficiaries may transfer budget among themselves or between budget categories without the need of a notification to the Commission/Agency or an amendment (see Article 55) if the action is implemented as described in Annex 1.

 The maximum grant amount mentioned in Article 5 cannot however be increased.

What can be transferred? If the incurred eligible costs are lower than the estimated eligible costs, the difference can be allocated to another beneficiary or another budget category. The amount reimbursed for the other beneficiary (by application of its reimbursement rate) or for the other budget category (to which the budget transfer is intended) may thus be higher than planned.

Example:

The estimated budget includes personnel costs of EUR 60 000 for Beneficiary A and EUR 75 000 for Beneficiary B. However, at the end of the action, the actual personnel costs of Beneficiary A are EUR 75 000 due to an increase in salaries or to the need to employ additional personnel to carry out the tasks mentioned in Annex 1 while the actual personnel costs of Beneficiary B are EUR 60 000. This may be acceptable provided the additional costs of Beneficiary A fulfil the eligibility requirements of Article 6 and up to the maximum grant amount (at the level of the action).

If the GA foresees unit costs, transferring amounts declared as unit costs to other categories or other beneficiaries is possible if the actual number of units used (or produced) by the beneficiary is less than the number estimated in Annex 2. The cost per unit cannot be changed.

Example:

*Total estimated unit costs for beneficiary A: EUR 10 000 (100 units x 100 EUR/unit)
 Total actual unit costs used (or produced) by beneficiary A: EUR 8 000 (80 units x 100 EUR/unit)
 Total possible transfer to another budget category: EUR 2 000*

What not? The GA allows transfers of budget, not of **tasks**.

1. A beneficiary cannot transfer budget to a **form of costs** that has **not been foreseen in Annex 2**.

Example:

A beneficiary declares all its direct personnel costs as ‘actual costs’ in the estimated budget (column A (a) of Annex 2). However, at the end of the first reporting period, the beneficiary declares its direct personnel costs as ‘unit costs determined according to its usual cost accounting practices’ (average personnel costs, in column A (b) of Annex 2). This is not acceptable without an amendment of the GA to modify the form of direct personnel costs.

If the budget transfer is due to a **significant change in Annex 1**, an amendment to the GA is needed. A significant change is a change that affects the technical work (the ‘tasks’ of the action) of Annex 1.

 The coordinator can contact the Commission/Agency to ask whether the transfer of budget reflects a significant change in Annex I which requires an amendment.

2. No adjustment of amounts set out as lump sums

If the GA provides for a lump sum, the lump sum set out in Annex 2 cannot be transferred to another category, or to another beneficiary.

Furthermore, the amount of the lump sum cannot be increased, decreased or split.

Example:

EUR 30 000 lump sum foreseen for travel in Annex 2 (under “other direct costs”) cannot be turned into a EUR 15 000 lump sum for travel and EUR 15 000 for personnel costs

3. No adding of costs relating to subcontracts not provided for in Annex 1

Subcontracting a task while the action is being implemented (*e.g. the beneficiary decided not to recruit additional personnel as initially foreseen but to call upon a subcontractor*) is considered as a significant change of Annex 1.

Therefore, the transfer of budget intended to increase the eligible costs under the budget category ‘subcontracting’ (due to an additional subcontract) is considered as reflecting a significant change in Annex 1 and would normally require an amendment (see above).

If, an additional subcontract (not foreseen in Annex 1 and Annex 2), needs to be awarded and no amendment has been signed, it can be approved by the Commission/agency together with the periodic report (see conditions in Article 13), but the beneficiary will assume the risk of non-approval and consequent rejection of costs.

Example:

A beneficiary wants to subcontract a task that originally it was going to carry out by itself. It wants to transfer EUR 100 000 from personnel costs to subcontracting. In order to make sure that this new subcontracting is possible and its cost is eligible, this will require an amendment to the GA before the subcontracting takes place. However, the beneficiary fails to request the amendment (at its own risk) but justifies the change in the periodic technical report and the Commission approves the report. The cost of the additional subcontract may thus be eligible.

CHAPTER 3 GRANT**ARTICLE 5 — GRANT AMOUNT, FORM OF GRANT, REIMBURSEMENT RATES AND FORMS OF COSTS****5.1 Maximum grant amount**

The ‘**maximum grant amount**’ is EUR [insert amount (insert amount in words)].

5.2 Form of grant, reimbursement rates and forms of costs

The grant reimburses [*OPTION for research actions: 100 % of the action’s eligible costs*] [*OPTION for innovation actions⁴ if all beneficiaries and all linked third parties are non-profit legal entities⁵: 100% of the action’s eligible costs*][*OPTION for innovation actions if all beneficiaries and all linked third parties are profit legal entities: 70% of the action’s eligible costs*][*OPTION for innovation actions if some beneficiaries or linked third parties are non-profit legal entities and some are profit legal entities: 100% of the eligible costs of [the beneficiaries][and][linked third parties] that are non-profit legal entities and 70% of the eligible costs of the other beneficiaries [and linked third parties]*][*OPTION for exceptional cases if foreseen in the work programme: [...%] of the action’s eligible costs*] (see Article 6) (‘**reimbursement of eligible costs grant**’) (see Annex 2).

The estimated eligible costs of the action are EUR [insert amount (insert amount in words)].

Eligible costs (see Article 6) must be declared under the following forms (‘**forms of costs**’):

(a) for **direct personnel costs** [(excluding personnel costs for the activities in Point (f))]⁶:

- as actually incurred costs (‘**actual costs**’) or
- on the basis of an amount per unit calculated by the beneficiary in accordance with its usual cost accounting practices (‘**unit costs**’).

Personnel costs for **SME owners** or **beneficiaries that are natural persons** not receiving a salary (see Article 6.2, Points A.4 and A.5) must be declared on the basis of the amount per unit set out in Annex 2 (**unit costs**);

(b) for **direct costs of subcontracting** [(excluding subcontracting costs for the activities in Point (f))]⁷: as actually incurred costs (**actual costs**);

(c) [*OPTION to be used if Article 15 applies: for direct costs of providing financial support to third parties [(excluding costs of financial support given under the activities in Point (f))]⁸: as actually incurred costs (actual costs);*][*OPTION: not applicable;*]

(d) for **other direct costs** [(excluding other direct costs for the activities in Point (f))]⁹: as actually incurred costs (**actual costs**);

(e) for **indirect costs** [(excluding indirect costs for the activities in Point (f))]¹¹: on the basis of a flat-rate applied as set out in Article 6.2, Point E (‘**flat-rate costs**’);

[(f) *OPTION for specific categories of costs if unit costs foreseen by Commission decision: for costs of [insert cost category or activity]¹*]:

- on the basis of the amount(s) per unit set out in Annex 2 (**unit costs**) [or]
- [as actually incurred costs (**actual costs**)]¹² [or]
- as a combination of the two].]

[*OPTION for specific categories of costs if lump sum costs foreseen by Commission decision: for costs of [insert cost category or activity]: as the lump sum set out in Annex 2 (‘lump sum costs’).*]

4	<i>For the definition, see Article 2.1(5a) of the Rules for Participation Regulation (EU) No XX/2013: ‘innovation action’ means an action primarily consisting of activities directly aiming at producing plans and arrangements or designs for new, altered or improved products, processes or services. For this purpose they may include prototyping, testing, demonstrating, piloting, large-scale product validation and market replication.</i>
5	<i>For the definition, see Article 2.1(10a) Rules for Participation Regulation (EU) No XX/2013: ‘non-profit legal entity’ means a legal entity which by its legal form is non-profit-making or which has a legal or statutory obligation not to distribute profits to its shareholders or individual members.</i>
6	To be used only if option in Point (f) is used.
7	To be used only if option in Point (f) is used.
8	To be used only if option in Point (f) is used.
9	To be used only if option in Point (f) is used.
10	To be used only if option in Point (f) is used.
11	Insert precise name of the costs as in the Commission decision authorising the use of the unit cost or lump-sum. For example: costs of ‘providing transnational access to research infrastructures’; costs of ‘clinical studies’; costs of ‘energy efficiency measures in buildings’.
12	To be used only if the Commission decision authorising the use of the unit cost allows that the beneficiary chooses between actual or unit cost.

1. Maximum grant amount

The maximum grant amount specified in this Article cannot be exceeded or raised by the Commission/Agency.

 No additional funding is possible even if the eligible costs of the action are higher than planned.

The maximum grant amount is not the ‘final grant amount’ and is not a price due to the beneficiaries.

2. Reimbursement rates

How much? The ‘**reimbursement rate**’ for research actions (referred to as ‘research and innovation actions’ in the Horizon 2020 Work Programme) is in principle 100% of the total eligible costs. For innovation actions it is in principle 70% of the total eligible costs.

Exceptions:

In exceptional cases fixed in the work programme, a lower reimbursement rate than the two mentioned above may apply.

The eligible costs of **non-profit** beneficiaries/linked third parties participating in innovation actions may be reimbursed at **100%**.

As a general principle there is only one funding (reimbursement) rate per action, the same for all activities and all beneficiaries of the action (**one project — one funding rate**).

Exception:

If non-profit beneficiaries/linked third parties are in the same innovation action together with non-profit beneficiaries, their eligible costs will be reimbursed according to the different reimbursement rates.

The reimbursement rates apply to all forms of costs (actual, unit, lump sums and flat-rates costs)⁴ and all budget categories.

⁴ See Article 28(6) of the Rules for Participation.

3. Forms of costs

The different types of forms of costs are as follows:

- **actual costs** (i.e. costs which are real and not estimated budgeted or imputed).

Examples:

EUR 62 500 actual yearly salary for senior researcher A.;

EUR 2000 actual price for a computer.

The actual price paid for the subcontracting of a trial.

The financial support actually paid to third parties.

- **unit costs** (i.e.
 - either a fixed amount per unit of measure, where the total amount depends on the number of units used for the action

Example: Direct personnel costs of SME owners not receiving a salary and of natural persons not receiving a salary may be declared using a fixed amount per unit of measure fixed by the Commission.

- or an amount per unit of measure calculated by the beneficiary in accordance with its usual cost accounting practices for personnel costs).

Example: EUR 60,000 average salary for senior researchers.

- **flat-rate costs** (i.e. costs calculated by applying a percentage fixed in advance to other types of eligible costs).

 In Horizon 2020, flat-rate costs will only be used to declare eligible indirect costs.

Example: a flat rate of 25% of direct costs minus subcontracting and in-kind contributions by third parties not used on the beneficiaries' premises to declare the eligible indirect costs;

- **lump sum costs** (i.e. an fixed amount based on an estimate which is used by a beneficiary to declare as eligible):

- either the overall implementation costs of an action

Example: EUR 150 000 to carry out a study

- or the costs of one or several specific categories of eligible costs.

Example: EUR 10 000 for travel expenses of each beneficiary within a project

 The conditions for eligibility, for each form of costs, are set out in Article 6.1.

 Unit costs, flat-rates and lump sums must be authorised by Commission decision and set out in the work programme.⁵ (unless already set out in the Rules for Participation as the costs for personnel costs based on the beneficiaries' practices).

For the General Model GA, a Commission decision currently exists for:

⁵ See Article 124 of the Financial Regulation.

- direct personnel costs of SME owners not receiving a salary and of natural persons not receiving a salary (see Article 6.2.A.4);
- costs of providing transnational access to research infrastructures (see Article 6.2.F);
- costs of energy efficiency measures in buildings (see Article 6.2.F);

The flat-rate of 25% for indirect costs is provided for in the Rules for Participation.⁶

Each category of costs can be covered by different forms of costs. Within a grant, different forms of costs can be used.

Example: a budget category (e.g. personnel) covered by unit costs and another (e.g. equipment) by actual costs.

The table below summarises the different budget categories and forms of costs that may be used in a Horizon 2020 action under the General Model GA:

Forms of costs	Budget categories					
	Direct personnel costs	Direct costs of subcontracting	Direct costs of financial support to third parties (if option used if Article 15 applies)	Other direct costs	Indirect costs	Specific categories of costs (option used if Article 6.2 (F) applies)
Actual costs	YES	YES	YES	YES	NO	YES
Unit costs	YES, only for: -costs established according to the usual cost accounting practices of the beneficiary -costs of SME owners and natural persons not receiving a salary	NO	NO	NO	NO	YES, only if foreseen by Commission Decision
Flat-rate costs	NO	NO	NO	NO	YES	NO
Lump sum costs	NO	NO	NO	NO	NO	YES, only if foreseen by Commission Decision

⁶ See Article 29(1) of the Rules for Participation.

⚠ Costs that are already covered by a unit cost or lump sum under Article 5.2(f) may not be declared under any other budget category.

Thus, if for instance personnel costs are included in the costs under Article 5.2(f), these personnel costs cannot also be declared as direct personnel costs under Article 5.2(a).

Example:

A Commission decision allows for the use of a unit cost of 30 Euro for each laboratory analysis of the samples collected in an action. This is included in the GA under the option of article 5.2 (f). That unit cost covers the costs of the laboratory technicians involved in the analysis and of the equipment used. The beneficiary will declare the actual costs of the direct personnel working in the action under ‘direct personnel costs’, but excluding the costs of the laboratory technicians analysing the samples, because they are already covered by the unit cost under ‘specific category of costs’.

Personnel Costs of beneficiary A:

100 000 for 2 researchers working in the action + 10 000 for 2 laboratory technicians working on laboratory analysis

Eligible personnel costs under the budget category ‘direct personnel costs’: 100 000 as direct personnel costs (and not the 10 000 of the technicians)

Number of sample analysis in a laboratory for beneficiary A: 450

Eligible costs under ‘specific category of costs’: 450 X 30 = EUR 13 500

⚠ For the types of costs included in the unit or lump sum costs under Article 5.2(f), see Article 6.2.F.

5.3 Final grant amount — Calculation

The ‘**final grant amount**’ depends on the actual extent to which the action is implemented in accordance with the Agreement’s terms and conditions.

This amount is calculated by the [Commission][Agency] — when the payment of the balance is made (see Article 21.4) — in the following steps:

Step 1 – Application of the reimbursement rates to the eligible costs

Step 2 – Limit to the maximum grant amount

Step 3 – Reduction due to the no-profit rule

Step 4 – Reduction due to improper implementation or breach of other obligations

5.3.1 Step 1 — Application of the reimbursement rates to the eligible costs

The reimbursement rate(s) (see Article 5.2) are applied to the eligible costs (actual costs, unit costs and flat-rate costs [and lump sum costs]; see Article 6) declared by the beneficiaries [and linked third parties] (see Article 20) and approved by the [Commission][Agency] (see Article 21).

5.3.2 Step 2 — Limit to the maximum grant amount

If the amount obtained following Step 1 is higher than the maximum grant amount set out in Article 5.1, it will be limited to the latter.

5.3.3 Step 3 — Reduction due to the no-profit rule

The grant must not produce a profit.

‘**Profit**’ means the surplus of the amount obtained following Steps 1 and 2 plus the action’s total receipts, over the action’s total eligible costs.

The ‘**action’s total eligible costs**’ are the consolidated total eligible costs approved by the [Commission][Agency].

The ‘**action’s total receipts**’ are the consolidated total receipts generated during its duration (see Article 3).

The following are considered **receipts**:

- (a) income generated by the action; if the income is generated from selling equipment or other assets purchased under the Agreement, the receipt is up to the amount declared as eligible under the Agreement;
- (b) financial contributions given by third parties to the beneficiary *[or to a linked third party]* specifically to be used for the action, and
- (c) in-kind contributions provided by third parties free of charge and specifically to be used for the action, if they have been declared as eligible costs.

The following are however not considered receipts:

- (a) income generated by exploiting the action’s results (see Article 28);
- (b) financial contributions by third parties, if they may be used to cover costs other than the eligible costs (see Article 6);
- (c) financial contributions by third parties with no obligation to repay any amount unused at the end of the period set out in Article 3.

If there is a profit, it will be deducted from the amount obtained following Steps 1 and 2.

5.3.4 Step 4 — Reduction due to improper implementation or breach of other obligations — Reduced grant amount — Calculation

If the grant is reduced (see Article 43), the *[Commission][Agency]* will calculate the reduced grant amount by deducting the amount of the reduction (calculated in proportion to the improper implementation of the action or to the seriousness of the breach of obligations in accordance with Article 43.2) from the maximum grant amount set out in Article 5.1.

The final grant amount will be the lower of the following two:

- the amount obtained following Steps 1 to 3 or
- the reduced grant amount following Step 4.

1. Final grant amount

When? The final grant amount is calculated by the Commission/Agency after the end of the action or in case of termination of the GA, in order to determine the balance to be paid.

How much? The final grant amount depends on all of the following:

- the **reimbursement rate** (Step 1).
- the amount of **eligible costs** approved by the Commission (Step 1);
- the limitation to the **maximum grant amount** (Step 2);
- compliance with the **no-profit rule** (Step 3);
- the extent to which the action was implemented properly (**work implementation**, i.e. if the work was carried out as described in Annex 1; Step 4), and

- **compliance** with all the **other rules** set out in the GA (Step 4).

If, for innovation actions, there are different **reimbursement rates** for different beneficiaries, the Commission/Agency will apply the reimbursement rate for each beneficiary to the costs it has approved for that beneficiary.

Ineligible costs (i.e. costs that do not comply with one or more cost eligibility criteria, see Article 6) will — if found at payment of the balance — be **rejected** and not approved.

Proper implementation will be analysed by the Commission/Agency, comparing the work performed (according to the periodic and final technical reports) to the activities described in Annex 1.

Improper implementation or breach of another obligation under the GA may lead to a **reduction of the grant** (i.e. reduction of the ‘maximum grant amount’).

Example: One of the 3 test plants was not built, and several testing activities were not carried out

Example: Breach of the obligation to display the EU emblem (article 29.4) or to respect confidentiality of information identified as confidential.

 The Commission/Agency will decide on a case by case basis (and only after a contradictory procedure with the coordinator or the beneficiary concerned; see Article 43).

 In principle, the Commission/Agency will not reduce the final grant amount for minor delays/deviations in the technical work foreseen in Annex 1:

Examples:

A deliverable is delayed by a couple of days because the researcher responsible is on sick leave.

A scientific test has to be redone at a later time due to meteorological conditions.

 A reduction of the maximum grant amount is not a sanction, but the consequence of a breach of an obligation under the GA.

2. No-profit rule

The Union/Euratom grant amount may not have the purpose or effect of producing a profit for the beneficiaries.

For this reason, the total funding requested from EU/Euratom + receipts cannot exceed the total eligible costs.

At the time of payment of the balance, this means that the grant amount following Steps 1 and 2 plus receipts cannot exceed the approved costs.

If grant amount + receipts \leq total eligible costs → no reduction of EU/Euratom grant amount

 Contrary to FP7, in Horizon 2020, profit must be assessed at the level of the action and not at the level of the individual beneficiaries.

The grant amount, receipts and eligible costs taken into account are the consolidated grant amount (following Steps 1 and 2), the consolidated receipts and the consolidated approved costs.

3. Receipts

What? Three kinds of receipts must be taken into consideration:

- **income generated by the action** (i.e. any income generated by the action itself, including the sale of assets bought for the action and sold during the duration of the action).

Examples:

Admission fee to a conference organised by the consortium.

Sale of equipment bought for the action.

 The receipt from the sale of assets is capped to the amount declared as eligible under the GA.

Example:

Machine bought for EUR 21 000 in year X, sold in year X + 4 (both within the duration of the action) for EUR 16 000.

The machine was used at 50% for the action, and fully depreciated in 3 years (7 000 EUR/year, of which 3 500 EUR/year were charged to the action)

Amount of receipts to be declared: 50% of 16 000 with a limit of 10 500 (3 X 3 500) =EUR 8 000.

- **financial contributions given by third parties specifically to be used for the action** (i.e. money given as a donation by a third party (a donor) to a beneficiary (or linked third party) specifically for the action covered by the GA).
- **in-kind contributions provided by third parties free of charge specifically to be used for the action, if they have been declared as eligible costs** (i.e. not money, but an in-kind contribution free of charge given by a third party (a donor) specifically for being used for the action covered by the GA).

Examples: the free use of equipment; the secondment of an expert without reimbursement

 It is considered a receipt if the value of the in-kind contribution given free of charge (corresponding to the costs incurred by the third party and not by the beneficiaries who receive it) has been declared by the beneficiary receiving it as an eligible cost for the action.

What not? The following are not receipts:

- **income generated by exploiting the results** of the project (the IPR) is not considered a receipt since using the resulting IPR is one of the main objectives of research actions;
- **financial contributions** given by a third party (a donor) specifically to be used for the action if they may be used according to the donor's rules to **cover costs other** than the eligible costs

Example: currency exchange losses

- **financial contributions** given by a third party (a donor) specifically to be used for the action if the donor did not set the obligation to repay any unused amount at the end of the action

Example:

A university professor whose costs are charged by the university in the GA, but whose salary is paid by the Ministry and not reimbursed by the university: This contribution in kind from a third party (the

Ministry) is not to be considered a receipt, unless the professor has been specifically seconded by the Ministry to the university to work for the action in question. In other words, if the university is free to decide the allocation of the professor's work, then his/her contribution is assimilated to an 'own resource' of the university and it is not a receipt.

 The full amount of the financial contribution is not considered as a receipt, not only the unused amount.

Financial contributions made **by one beneficiary to another** within the same project are not considered receipts either, since receipts are only contributions from third parties. Therefore, if a beneficiary funds another beneficiary in the same GA to help it carry out work, this will not be considered a receipt.

Example:

Beneficiary A (big company) in an innovation project (i.e. funded at 70%) decides to subsidise a small specialised SME by funding an additional 10% of the SME's costs in order to encourage it to participate in the action.

Conversely, the financial contribution made by the beneficiary to another beneficiary is not considered as an eligible cost for the beneficiary giving the contribution.

In summary, this financial contribution is not a receipt for the beneficiary receiving it, and it is not either an eligible cost for the beneficiary giving it.

When? Receipts will be taken into account by the Commission/Agency only at the moment of the payment of the balance (for FP7 the 'final payment').

Beneficiaries must declare all receipts that are **established** (i.e. revenue that has been collected and entered in the accounts), **generated** or **confirmed** (i.e. revenue that has not yet been collected, but which has been generated or for which the beneficiary has a commitment or written confirmation) during the duration of the action.

Beneficiaries are obliged to declare them when submitting the final report. However, they may also declare them in the periodic reports.

 In many cases receipts do not affect the grant amount since they do not lead to a profit. However, particularly in actions funded at 100%, they may have an impact and cause a reduction.

Examples:

*Eligible costs: 100 and grant amount: 70
If receipts: 30 → no impact
If receipts: 20 → no impact
If receipts: 60 → the grant amount will be reduced to 40.*

*Eligible costs: 100 and grant amount: 100
If receipts: 0 → no impact;
If receipts: 20 → the grant amount will be reduced to 80*

 Beneficiaries are advised to foresee the potential implications of receipts — before the signature of the GA — in the consortium agreement (given that the receipts will be appreciated at the level of the action, and not anymore on the level of each beneficiary as was the case in FP7).

 You will have been requested to estimate the receipts of your action when submitting the proposal.

4. Calculation

Calculation of final grant amount

Step 1 — Application of reimbursement rates to eligible costs

Step 2 — Limit to the maximum grant amount

The grant amount following Steps 1 and 2 is the lower of the two amounts.

Step 3 — Reduction due to the no-profit rule

Step 4 — Reduction due to improper implementation or breach of other obligations under the GA at the payment of the balance

The final grant amount is the lower of the following two amounts obtained following Steps 1 to 3 or following Step 4.



final grant amount

Example:

Grant for a consortium with a maximum grant amount of EUR 3 000 000, where the eligible costs are reimbursed at 100%, and the indirect costs are calculated on the basis of a flat rate of 25% on the direct costs (minus subcontracting, costs incurred by third parties not used in the beneficiaries' premises and costs of providing financial support to third parties).

The total direct eligible costs of the consortium approved by the Commission/Agency are EUR 2 500 000.

One of the beneficiaries is sponsored for this project by a private company, with an amount of EUR 60 000 dedicated to the reimbursement of the remuneration of one young researcher, and another beneficiary (a university) receives as in-kind contribution from its government the secondment of a scientist specifically assigned to the project (the "action"). The salary of this seconded scientist (EUR 80 000) is declared as eligible by this beneficiary, even if paid by the Government.

Both these contributions fit the definition of receipts (see above).

Step 1 — Application of the reimbursement rates to the eligible costs

Eligible costs = EUR 2 500 000 direct costs (including EUR 200 000 for subcontracting) + EUR 575 000 for indirect costs (25 % flat rate on direct costs minus subcontracting) = EUR 3 075 000

Reimbursement rate = 100%

Amount obtained = EUR 3 075 000

Step 2 — Limit to the maximum grant amount

The total eligible costs of EUR 3 075 000 are higher than the maximum grant amount of EUR 3 000 000. However, the maximum amount cannot be increased and therefore, it is limited to EUR 3 000 000.

Step 3 — Reduction due to the no-profit rule

In the example above, the profit at the level of the action would be calculated by taking the surplus of EUR 3 000 000 (amount obtained after steps 1 and 2), plus the action's total receipts (60 000 + 80 000), over the action's total approved eligible costs (EUR 3 075 000):

3 000 000 + 60 000 + 80 000 = EUR 3 140 000.

Total eligible costs: EUR 3 075 000.

Profit: EUR 3 140 000 – EUR 3 075 000 = EUR 65 000

Grant amount after reduction due to no-profit rule: EUR 3 000 000 – EUR 65 000 = EUR 2 935 000.

Step 4 — Reduction due to improper implementation or breach of other obligations under the GA at the payment of the balance:

Reduction of 2% of the maximum grant amount as the Coordinator of the consortium breached a confidentiality obligation of article 36 GA, namely EUR 60 000 → 3 000 000 - 60 000 = EUR 2 940 000

The final amount of the grant will be the lower between the following two:

- the amount obtained after applying the reimbursement rates to the total eligible costs, within the ceiling of the maximum grant amount and after applying the no-profit rule (Steps 1, 2 and 3): 2 935 000
- the reduced maximum grant amount obtained in Step 4: 2 940 000

Final grant amount = EUR 2 935 000.

5.4 Revised final grant amount — Calculation

If — after the payment of the balance (in particular, after checks, reviews, audits or investigations; see Article 22) — the [Commission][Agency] rejects costs (see Article 42) or reduces the grant (see Article 43), it will calculate the ‘**revised final grant amount**’ for the beneficiary concerned by the findings.

This amount is calculated by the [Commission][Agency] on the basis of the findings, as follows:

- in case of **rejection of costs**: by applying the reimbursement rate to the revised eligible costs approved by the [Commission][Agency] for the beneficiary concerned;
- in case of **reduction of the grant**: by calculating the concerned beneficiary’s share in the grant amount reduced in proportion to its improper implementation of the action or to the seriousness of its breach of obligations (see Article 43.2).

In case of **rejection of costs and reduction of the grant**, the revised final grant amount for the beneficiary concerned will be the lower of the two amounts above.

1. Revised final grant amount

When? The final grant amount (see above) may be revised, if the Commission/Agency finds — after the payment of the balance — that a beneficiary declared costs that are ineligible, or that a beneficiary breached its obligations or improperly implemented its work under the GA (and therefore **rejects the costs** or **reduces the grant** for that beneficiary).

The ‘**revised final grant amount**’ is calculated at beneficiary’s level:

2. Calculation

If the **costs** unduly declared as eligible by the beneficiary concerned are **rejected** by the Commission/Agency as ineligible, the Commission/Agency will deduct the amount rejected from the total eligible costs declared by the beneficiary in the final summary financial statement (see Article 42.3). The revised final grant amount will be calculated by applying the reimbursement rate to the revised eligible costs of the beneficiary concerned.

Example:

Maximum grant amount: 500 000

There are three Beneficiaries A, B and C

Reimbursement rate: 100%

Direct eligible costs accepted for Beneficiary A at the payment of balance: 150 000

Total eligible costs accepted for Beneficiary A at the payment of balance = 150 000 + 25% (indirect costs) = 187 500

Costs rejected following audit: 30 000
Revised direct eligible costs: 120 000
Revised total eligible costs= 120 000 + 25% (indirect costs) = 150 000
Revised final grant amount: 100% of 150 000 = 150 000

If for the beneficiary the revised final grant amount is lower than its share of the final grant amount (calculated according to Article 44.1.3), it must repay the difference to the Commission/Agency.

If the **grant** is **reduced** due to improper implementation or breach of obligations by the beneficiary, the Commission/Agency will:

- reduce the maximum grant amount set out in Article 5.1, in proportion to the improper implementation or to the seriousness of the breach (see Article 43).
- calculate the revised final grant amount for each beneficiary concerned, by allocating the amount of the reduction to each of them in proportion to its improper implementation or breach of obligation.

Example 1:

Maximum grant amount and final grant amount: 500 000
There are three Beneficiaries A, B and C
Reimbursement rate: 100%
According to the estimated budget, Beneficiary A was entitled to a maximum contribution of 200 000 for carrying out its work set out in Annex I.
Total eligible costs accepted for Beneficiary A at the payment of balance = 187 500

Example 1a: *The Commission/Agency finds that Beneficiary A has implemented only 80% of its work provided for in Annex I.*

Revised final grant amount of Beneficiary A: 80% of the share of Beneficiary A in the maximum grant amount: 80% of 200 000 = 160 000

Example 1b: *The Commission/Agency finds that Beneficiary A breached its confidentiality obligations, which had an impact of the full action and for which the reduction rate is set at 2%.*

2% of the maximum grant amount = 10 000
The breach is entirely attributable to Beneficiary A: 100% of the reduction is allocated to Beneficiary A
Revised final grant amount of Beneficiary A: 187 500 – 10 000= 177 500

If for the beneficiary the revised final grant amount is lower than its share of the final grant amount (calculated according to Article 44.1.3), it must repay the difference to the Commission/Agency.

 In case of rejection of costs *and* reduction of the grant, the revised final grant amount for the beneficiary concerned will be the lower of the two amounts above.

Example:

The revised final grant amount for beneficiary A will be 150 000 (the lowest between 150 000 (amount obtained following the rejection of ineligible costs) and 160 000/ 177 500 (amounts following the reduction of the grant in the 2 examples above)).

ARTICLE 6 — ELIGIBLE AND INELIGIBLE COSTS**6.1 General conditions for costs to be eligible**

‘**Eligible costs**’ are costs that meet the following criteria:

(a) for actual costs:

- (i) they must be actually incurred by the beneficiary;
- (ii) they must be incurred in the period set out in Article 3, with the exception of costs relating to the submission of the periodic report for the last reporting period and the final report (see Article 20);
- (iii) they must be indicated in the estimated budget set out in Annex 2;
- (iv) they must be incurred in connection with the action as described in Annex 1 and necessary for its implementation;
- (v) they must be identifiable and verifiable, in particular recorded in the beneficiary’s accounts in accordance with the accounting standards applicable in the country where the beneficiary is established and with the beneficiary’s usual cost accounting practices;
- (vi) they must comply with the applicable national law on taxes, labour and social security, and
- (vii) they must be reasonable, justified and must comply with the principle of sound financial management, in particular regarding economy and efficiency.

(b) for unit costs:

- (i) they must be calculated as follows:

{amounts per unit set out in Annex 2 or calculated by the beneficiary in accordance with its usual cost accounting practices (see Article 6.2, Point A)

multiplied by

the number of actual units};

- (ii) the number of actual units must comply with the following conditions:

- the units must be actually used or produced in the period set out in Article 3;
- the units must be necessary for implementing the action or produced by it, and
- the number of units must be identifiable and verifiable, in particular supported by records and documentation (see Article 18).

(c) for flat-rate costs:

- (i) they must be calculated by applying the flat-rate set out in Annex 2, and
- (ii) the costs (actual costs or unit costs [*or lump-sum costs*]) to which the flat-rate is applied must comply with the conditions for eligibility set out in this Article.

(d) [OPTION if lump sum foreseen in Article 5.2: for lump sum costs:

- (i) *the eligible amount is equal to the amount set out in Annex 2, and*
- (ii) *the corresponding tasks or parts of the action must have been properly implemented in accordance with Annex 1.]*

1. Eligible costs

Only eligible costs can be reimbursed by the Commission/Agency ('reimbursement of eligible costs grant').

 This must be taken into account already at proposal stage, when the beneficiaries prepare the estimated budget for the action (see Article 4).

 Moreover, all the costs the beneficiaries declare in their financial statements (see Article 20) must comply with the general and specific conditions set out in this Article.

Article 6.1 refers to general eligibility conditions applicable per form of cost.

Article 6.2 refers to specific eligibility conditions applicable per budget category.

2. For actual costs

In order to be eligible, actual costs must be:

- **actually incurred by the beneficiary** (i.e.:
 - real and not estimated, budgeted or imputed and
 - definitively and genuinely borne by the beneficiary (not by any other entity)).

The beneficiary must have an obligation to pay the amount of the cost (for depreciation costs, the amount of the costs must be recorded in the beneficiary's profit and loss accounts).

Specific cases:

For in-kind contributions provided by third parties free of charge and costs of linked third parties, eligible direct costs must be actually incurred by the third party.

- **incurred during the action duration** (i.e. the generating event that triggers the costs must take place during the duration of the action).

The duration of the action is the period running from the starting date of the action to the end date of the action (see Article 3).

Example: A conference for which costs are claimed must take place during the course of the action.

Exception: Costs related to drafting and submitting the periodic report for the last reporting period and the final report (including costs of certificates of financial statements required by the GA) are eligible — even if they are incurred after the action duration.

This exception refers exclusively to costs related to the drafting and sending of the reports, and not to RTD/innovation activities (which as indicated above, must be carried out during the action duration).

Costs actually incurred should normally also be **paid** during the action duration.

In general, costs declared but not paid during the action duration (*for instance because the beneficiary is waiting for the payment of the balance*) are eligible only if the debt (and invoice) exists, and the final cost is known.

Costs of services or equipment supplied to a beneficiary (or to its linked third party) may be invoiced and paid after the action is completed, if the services or equipment were used by the beneficiary (or to its linked third party) during the action duration.

⚠️ If there is a check or an audit after the action ends, beneficiaries will need to prove (with supporting documents) that the payments were actually made (except for depreciation costs).

⚠️ Costs of services or equipment **supplied after the end** of the action or the GA termination are not eligible.

Specific cases:

- **Costs related to drafting the consortium agreement** are not eligible because the consortium agreement should be signed before the action starts. However, costs related to updating the consortium agreement are eligible if incurred during the action duration.
 - **Depreciation costs for equipment used for the action but bought before the action's start:** if the equipment has not yet been fully depreciated according to the beneficiary's usual cost accounting practices, the remaining depreciation costs may be eligible (only for the portion corresponding to the duration of the action and rate of actual use for the purposes of the action, see Article 6.2.D.2).
 - **Costs related to preparing, submitting and negotiating the proposals** cannot be declared as eligible for the action (they are incurred before the action starts).
 - **Travel costs for the kick-off meeting:** if the first leg of the journey takes place before the starting date of the action (*e.g. the day before the kick-off meeting*), the costs may be eligible if the meeting is held during the action duration.
- **entered as eligible costs in the estimated budget of the action**, under the relevant budget category (see Annex 2). When the final amount of the grant is calculated, the eligible costs cannot include costs under budget categories that did not appear in the action estimated budget, unless the initial estimated budget was amended or if these additional costs were approved in accordance with Articles 11 to 13.

Costs included in the estimated budget may be transferred between beneficiaries and budget categories without amending the GA under the conditions set out in Article 4.2.

- **connected to the action as described in Annex 1** (i.e. They must be necessary to achieve the action's objectives)

The EU/Euratom grant cannot be used to finance activities other than those approved by the Commission;

- **identifiable and verifiable** (i.e. come directly from the beneficiary's accounts (be directly reconcilable with them) and supported by documentation).

⚠️ Accounting documentation is necessary only for actual costs.

⚠️ In addition, indirect costs do not need supporting evidence because they are declared using a flat-rate.

Costs must be calculated according to the applicable accounting rules of the country in which the beneficiary is established and according to the beneficiary's usual cost accounting practices.

Example: if a beneficiary always charges a particular cost as an indirect cost, it must do so also for Horizon 2020 actions, and should not charge it as a direct cost.

 This principle cannot be used as justification for non-compliance with other GA provisions.

It is clear that a beneficiary is obliged to introduce any changes necessary to bring its usual cost accounting practices in line with all GA provisions.

Examples: conditions for calculation of productive hours (see below); conditions for the eligibility of depreciation costs (in line with the international accounting standards, which may deviate from the accounting rules of the country)

 For in-kind contributions provided by third parties free of charge and costs of linked third parties, eligible direct costs must be:

- recorded in the third party's accounting records;
- calculated in accordance with the accounting standards applicable in the country in which the third party is established;
- calculated according to the third party's usual cost accounting practices;
- **in compliance with applicable national laws on taxes, labour and social security;**
- **reasonable, justified and must comply with the principles of sound financial management, in particular regarding economy and efficiency** (i.e. be in line with good housekeeping practice when spending public money and not be excessive).

'Economy' means minimising the costs of resources used for an activity (input), while maximising quality.

It can be linked to 'efficiency', which is the relationship between outputs and the resources used to produce them.

 Costs must reflect the budget allocation and cost breakdown.

Examples: The beneficiary may not increase the remuneration of its personnel, upgrade its travel policy or its purchasing rules because of the Commission/Agency support.

 The conditions described here are cumulative, i.e. all of them have to be met for a cost to be eligible.

3. For unit costs

In order to be eligible, unit costs must be:

- calculated by multiplying the number of actual units used to carry out the work (e.g. number of hours worked on the action, number of tests performed, etc.) or produced (e.g. number of square meters for energy efficiency in buildings) by the value per unit ('amount per unit').

Example: A Commission decision that sets the unit costs related to laboratory analysis at EUR 300 per test. This amount per unit is included in Annex 2.

The number of actual units used or produced may change based on actual implementation and it may be subject to controls by the Commission.

Example: Audit carried out after the action ends to verify that the number of hours declared for the action corresponds to reality.

For personnel costs declared on the basis of the beneficiary's usual cost accounting practices, the beneficiary:

- must calculate them (the average or standard personnel costs) according to its usual accounting practices;
- must budget and declare a total amount; the amount per unit must not be included in Annex 2;

⚠ Beneficiaries cannot declare other types of unit costs according to their own usual cost accounting practices. For the other types of unit costs, the amounts per unit will be calculated according to a Commission decision and agreed on by the Commission (see in Annex 2 of the GA, Article 5.2).

Example (eligible unit cost): Average personnel costs declared in Annex 2 by a beneficiary. Annex 2 includes the total value of eligible personnel costs estimated by the beneficiary for the action.

Example (ineligible unit cost): Costs of minor consumables (e.g. a department's total minor consumable costs per hour worked), declared according to the beneficiary's usual accounting practices. This is not possible under Horizon 2020 rules.

- the number of units must be necessary for the action, the units must be used or produced during the course of the action and the beneficiaries must be able to show the link between the number of units charged and the work on the action.

⚠ It is the number of units used for work on the action which must be recorded, documented and justified in case of an audit, not the actual costs of the work.

Example:

A beneficiary which is a SME declares for its owner who does not receive a salary 300 hours worked for an action in 2014. If there is an audit, the SME beneficiary must be able to show a record of the number of hours worked by the owner for the action.

4. For flat-rate costs

In order to be eligible, flat-rate costs must be calculated by applying a flat rate to the relevant eligible costs (whether actual, unit or lump-sum costs).

Example (25 % flat rate for indirect costs):

A SME beneficiary that charges costs of its owner without a salary is working on an innovation action and uses the EUR30 per hour unit cost fixed in Annex 2 for personnel costs. The SME beneficiary declares as eligible 300 hours of direct personnel costs for its owner + EUR 1 400 for other direct costs + EUR 1 500 for subcontracting for work in an innovation action during the first reporting period.

Eligible direct costs: $(30 \times 300 = 9\,000) + 1\,400 + 1\,500 = 11\,900$

Eligible indirect cost: 25 % flat-rate of 9 000 + 1 400 (not the 1 500 for subcontracting) = EUR 2 600

Total eligible costs: $11\,900 + 2\,600 = \text{EUR } 14\,500$.

Reimbursement rate of 70 % (innovation action, 'for profit' beneficiary) = EUR 10 150.

5. For lump sum costs

In order to be eligible:

- the lump sum costs must correspond to the amount of lump sum costs set out in Annex 2 and
- the work must have been carried out in accordance to Annex 1 of the GA.

 Therefore, the beneficiaries do not need to justify that the actual eligible costs correspond to the amount of the lump sum; they only need to prove that the action tasks described in Annex 1 have been carried out.

6.2 Specific conditions for costs to be eligible

Costs are eligible if they comply with the general conditions (see above) and the specific conditions set out below for each of the following budget categories:

- A. direct personnel costs;
- B. direct costs of subcontracting;
- C. **[OPTION to be used if Article 15 applies: direct costs of providing financial support to third parties;]**
[OPTION: not applicable;]
- D. other direct costs;
- E. indirect costs;
- F. **[OPTION for specific categories of costs if unit costs foreseen by Commission decision: costs of [insert cost category or activity¹³]].**

‘Direct costs’ are costs that are directly linked to the action implementation and can therefore be attributed to it directly. They must not include any indirect costs (see Point E below).

‘Indirect costs’ are costs that are not directly linked to the action implementation and therefore cannot be attributed directly to it.

⁸ Insert precise name of the costs as in the Commission decision authorising the use of the unit cost or lump sum. For example: costs of ‘providing trans-national access to research infrastructure’; costs of ‘clinical studies’; costs of ‘energy efficiency measures in buildings’

1. Direct costs

Direct costs are specific costs directly linked to the performance of the action and which can therefore be directly booked to it.

They are either:

- costs that have been caused in full by the activities of the project; or
- costs that have been caused in full by the activities of several projects, the attribution of which to a single project can, and has been, directly measured (i.e. not attributed indirectly via an allocation key, a cost driver or a proxy).

 Any cost declared by a beneficiary as a direct cost of the action must be justified by supporting evidence (this may comprise internal invoices, which must not include indirect costs elements or profit margin or mark-up, see Article 6.2.D).

2. Indirect costs

Indirect costs are costs not identifiable as specific costs directly linked to the performance of the action.

In practice, they are costs whose attribution to the specific action cannot be or has not been measured directly, but only by means of cost drivers or a proxy, which apportion the total indirect costs (overheads) among the different activities.

In Horizon 2020, indirect costs are charged under the form of a 25% flat-rate of the eligible direct costs (minus certain direct eligible costs, see Article 6.2.E).

A. Direct personnel costs [(not included in Point F)]

Types of eligible personnel costs

A.1 **Personnel costs** are eligible if they are related to personnel working for the beneficiary under an employment contract (or equivalent appointing act) and assigned to the action. They must be limited to salaries (including during parental leave), social security contributions, taxes and other costs included in the remuneration, if they arise from national law or the employment contract (or equivalent appointing act).

Beneficiaries that are non-profit legal entities¹⁴ may also declare as personnel costs **additional remuneration** for personnel assigned to the action (including payments on the basis of supplementary contracts regardless of their nature), if:

- (a) it is part of the beneficiary's usual remuneration practices and is paid in a consistent manner whenever the same kind of work or expertise is required;
- (b) the criteria used to calculate the supplementary payments are objective and generally applied by the beneficiary, regardless of the source of funding used.

Additional remuneration for personnel assigned to the action is eligible up to the following amount:

- (a) if the person works full time and exclusively on the action during the full year: up to EUR 8 000;
- (b) if the person works exclusively on the action but not full-time or not for the full year: up to the corresponding pro-rata amount of EUR 8 000, or
- (c) if the person does not work exclusively on the action: up to a pro-rata amount calculated as follows:

{EUR 8 000
divided by
the number of annual productive hours (see below)},
multiplied by
the number of hours that the person has worked on the action during the year}.

A.2 The **costs for natural persons working under a direct contract** with the beneficiary other than an employment contract are eligible personnel costs, if:

- (a) the person works under the beneficiary's instructions and, unless otherwise agreed with the beneficiary, on the beneficiary's premises;
- (b)
- (c) the result of the work carried out belongs to the beneficiary, and
- (d) the costs are not significantly different from those for personnel performing similar tasks under an employment contract with the beneficiary.

A.3 The **costs of personnel seconded by a third party against payment** are eligible personnel costs if the conditions in Article 11 are met.

A.4 **Costs of owners** of beneficiaries that are small and medium-sized enterprises ('**SME owners**'), who are working on the action and who do not receive a salary are eligible personnel costs, if they correspond to the amount per unit set out in Annex 2 multiplied by the number of actual hours worked on the action.

A.5 **Costs of ‘beneficiaries that are natural persons’ not receiving a salary** are eligible personnel costs, if they correspond to the amount per unit set out in Annex 2 multiplied by the number of actual hours worked on the action.

[A.6 [OPTION to be used for trans-national access to research infrastructure: Personnel costs for providing trans-national access to research infrastructure are eligible only if also the conditions set out in Article 16.1.1 are met.] [OPTION to be used for virtual access to research infrastructure: Personnel costs for providing virtual access to research infrastructure are eligible only if also the conditions set out in Article 16.2 are met.]]

Calculation

Personnel costs must be calculated by the beneficiaries as follows:

{ hourly rate
 multiplied by
 number of actual hours worked on the action},
 plus
 for non-profit legal entities: additional remuneration to personnel assigned to the action under the conditions set out above (Point A.1)}.

The number of actual hours declared for a person must be identifiable and verifiable (see Article 18).

The total number of hours declared in EU or Euratom grants, for a person for a year, cannot be higher than the annual productive hours used for the calculations of the hourly rate:

{number of annual productive hours for the year (see below)
 minus
 total number of hours declared by the beneficiary, for that person for that year, for other EU or Euratom grants}.

The ‘**hourly rate**’ is one of the following:

(a) for personnel costs declared as **actual costs**: the hourly rate is the amount calculated as follows:

{actual annual personnel costs (excluding additional remuneration) for the person
 divided by
 number of annual productive hours}.

The beneficiaries must use the annual personnel costs and the number of annual productive hours for each financial year covered by the reporting period concerned. If a financial year is not closed at the end of the reporting period, the beneficiaries must use the hourly rate of the last closed financial year available.

For the ‘number of annual productive hours’, the beneficiaries may choose one of the following:

- (i) 1 720 hours for persons working full time (or corresponding pro-rata for persons not working full time);
- (ii) the total number of hours worked by the person in the year for the beneficiary, calculated as follows:

{annual workable hours of the person (according to the employment contract, applicable labour agreement or national law)
 plus
 overtime worked
 minus
 absences (such as sick leave and special leave)}.

‘Annual workable hours’ means the period during which the personnel must be working, at the employer’s disposal and carrying out his/her activity or duties under the employment contract, applicable collective labour agreement or national working time legislation.

If the contract (or applicable collective labour agreement or national working time legislation) does not allow to determine the annual workable hours, this option cannot be used;

- (iii) the ‘standard number of annual hours’ generally applied by the beneficiary for its personnel in accordance with its usual cost accounting practices. This number must be at least 90% of the ‘standard annual workable hours’.

If there is no applicable reference for the standard annual workable hours, this option cannot be used.

For all options, the actual time spent on **parental leave** by a person assigned to the action may be deducted from the number of annual productive hours;

- (b) for personnel costs declared on the basis of **unit costs**: the hourly rate is one of the following:
- (i) for SME owners or beneficiaries that are natural persons: the hourly rate set out in Annex 2 (see Points A.4 and A.5 above), or
- (ii) for personnel costs declared on the basis of the beneficiary’s usual cost accounting practices: the hourly rate calculated by the beneficiary in accordance with its usual cost accounting practices, if:
- the cost accounting practices used are applied in a consistent manner, based on objective criteria, regardless of the source of funding;
 - the hourly rate is calculated using the actual personnel costs recorded in the beneficiary’s accounts, excluding any ineligible cost or costs included in other budget categories.

The actual personnel costs may be adjusted by the beneficiary on the basis of budgeted or estimated elements. Those elements must be relevant for calculating the personnel costs, reasonable and correspond to objective and verifiable information, and

- the hourly rate is calculated using the number of annual productive hours (see above).

¹⁴ For the definition, see Article 2.1(10a) of Regulation (EU) No XX/2013 of the European Parliament and of the Council of XX laying down the rules for the participation and dissemination in Horizon 2020 – the Framework Programme for Research and Innovation (2014-2020) (OJ L XX, XX, p.XX) (‘**Rules for Participation Regulation No XX/2013**’): ‘**non-profit legal entity**’ means a legal entity which by its legal form is non-profit-making or which has a legal or statutory obligation not to distribute profits to its shareholders or individual members.

1. Types of costs and conditions for eligibility

Beneficiaries may declare the following costs as direct personnel costs:

- basic remuneration — **basic salary and complements**;
- for non-profit legal entities: **additional remuneration** (‘bonus payments’);
- costs for **natural persons working** under a direct contract;
- costs of **personnel seconded by a third party**
- costs of ‘**beneficiaries that are SMEs for their owners not receiving a salary**’;
- costs of ‘**beneficiaries that are natural persons not receiving a salary**’;

- **personnel costs for providing trans-national or virtual access to research infrastructure** (if option applies).

Direct personnel costs may be declared as actual costs or on the basis of unit costs (see Article 5.2(a)).

 Costs that are already covered by a unit cost or lump sum under Article 5.2(f) may not be declared as direct personnel costs.

Basic salary and complements ('basic remuneration')

The basic salary and complements (or parts of them, 'components') are eligible, if all of the following apply:

- they **fulfil** the **general conditions** for costs to be eligible (i.e. incurred during the action duration, necessary, etc.. see Article 6.1(a) and (b));
- they are **mandatory** under national law, collective labour agreements or the employment contract, and ;
- they are paid to the employee (or benefit to him/her) **for his/her usual work**, duties or tasks (as defined in the employment contract or equivalent appointment act).

Payments linked to tasks *other* than those covered by the basic remuneration are not eligible.

Example: A payment linked to participation in a specific action (whether EU or non-EU) or project.

 It doesn't matter whether the employee works part time or full time or with a temporary or permanent employment contract but he/she must be 'assigned to the action' (i.e. work for the action according to internal written instructions, organisation chart or other documented management decision).

 If the employee does not work exclusively on the action, personnel costs can be charged only in proportion to the time dedicated to the action.

 In order to avoid abuses, the eligibility ceiling for additional remuneration (see below) will exceptionally also be applied to the basic salary and complements, if they have been artificially increased for participation in the EU action.

Examples:

A researcher worked for the beneficiary, resigned, and subsequently signed a new contract with the same entity to work on the EU action for a higher salary.

A researcher worked for a beneficiary of the grant, resigned, and subsequently signed a new contract with another beneficiary (or a third party) to work on the EU action for a higher salary.

 For secondments or linked third parties, the employment contract or equivalent appointing act must be with the third party and the salaries must be on the third party's payroll.

What? The basic salary includes (and is limited to):

- the salary stated on the beneficiary's payroll, including salaries paid during parental leave;

- social security contributions, including social security contributions paid during parental leave;
- taxes and other costs included in the remuneration.

‘Parental leave’ covers both maternity leave and parental leave.

Salaries and social security contributions paid during parental leave are eligible only if:

- they are mandatory under national law or collective labour agreements (*e.g. statutory maternity pay*);
- the beneficiary has actually incurred them;
- they are not reimbursed by national (central, regional or local) authorities, (in other words, only the net amount paid by the beneficiary can be used to calculate the proportion to be charged to the action), and
- the employee worked for the action before the parental leave.

The complements may include:

- general contractual complements to the basic salary and

Examples: a 13th month payment; complement for hazardous work or night shifts; transportation allowance, etc.

- variable complements, if
 - they must be paid for the performance of the usual work, duties or tasks of the employee, on the basis of objective conditions and
 - the amounts and the conditions are established by national law or in the employment contract (or equivalent appointing act) and are in accordance with the internal regulations of the beneficiary.

What not? The basic remuneration does not include components that must be considered to be ‘additional remuneration’.

Example (variable remuneration component acceptable as basic remuneration):

The contract of a professor includes as part of his/her usual tasks both teaching and researching; it foresees a basic fixed remuneration of 1 000 EUR/month plus a variable part of 10 EUR/hour, for each hour spent on research activities.

 The classification of a component of the remuneration as basic remuneration or as additional remuneration depends also on the classification of that component under the relevant national fiscal legislation, i.e. if the national tax authority considers something as part of the basic remuneration of the employee or as an additional remuneration (‘bonus’).

Specific cases:

Teleworking may be accepted if it is the beneficiary’s usual practice (i.e. if clear rules are available). The system in place must make it possible to both identify and record the productive hours worked for the action.

Costs of **benefits in-kind** to personnel (company car, vouchers, etc.) may be accepted if they are justified and in conformity with the beneficiary's usual remuneration practices. Like all costs, they must fulfil the eligibility conditions set out in Article 6.

In general, **recruitment costs** are not eligible as direct personnel costs, because the beneficiary is required to have the necessary human resources. If a beneficiary needs to recruit additional personnel during the action duration, the related costs would be considered part of the entity's normal indirect costs, which under Horizon 2020 are covered by a 25% flat-rate of the eligible direct costs. ERC Grants are an exception to this rule: there, recruitment costs are eligible as direct costs because recruitment is one of the action's activities.

Remuneration of post graduate students employed by the university (beneficiary) — if a student works for a university, he/she may be exempt from paying (part of) the academic fees. Those fees (or part of them) are eligible as a personnel cost if the student's contract included the amount of waived fees as part of his/her remuneration. The other conditions set out in Article 6 have to be fulfilled as well (*e.g. the full remuneration, included the value of the waived fees, must be recorded in the university's accounts*).

Like any personnel costs, **PhD costs** (i.e. personnel costs of students) are eligible if they fulfil the conditions set out in Article 6.

For public bodies, the **costs related to public officials** paid directly from central, regional or local government budgets may be considered eligible if they fulfil the conditions set out in Article 6.

① For more information on personnel (resources) made available to a beneficiary by a third party, see below and Articles 11 and 12.

Additional remuneration ('bonus' payments) for non-profit legal entities

Additional remuneration is eligible, if all of the following apply:

- it **fulfils the general conditions** for costs to be eligible (i.e. incurred during the action duration, necessary, linked to the action, etc.; see Article 6.1(a) and (b));

Additional remuneration paid to a researcher that is not directly linked to the participation in the EU action (*e.g. additional remuneration based on the corporate performance*) is not eligible.

Additional remuneration is considered linked to the action if the researcher would not have received it if s/he had not participated in the action.

Example:

A nuclear researcher in a public research centre (non-profit) worked for 1 600 productive hours

Remuneration components:

a = annual salary: EUR 50 000

b = salary complement for holding a management post (e.g. Head of department): EUR 5 000

c = additional remuneration for being Head scientist in a project: EUR 2 000

d = additional remuneration for being First Assistant on an internal action: EUR 1 000

a and b would be used to calculate the researcher's hourly rate:

$$\text{hourly rate for the EU action} = \{(50\,000 + 5\,000) / 1\,600\} = \text{EUR } 34$$

c would be subject to the specific eligibility conditions for additional remuneration. If eligible, it would be subject to the eligibility ceiling.

d would not be eligible and would not be taken into account when calculating the hourly rate for the EU action, as it is not linked to the participation in the EU action.

- it is paid to the employee (or benefits him/her) for **additional work** or **expertise**;

The work to be carried out (or expertise used) must be different from the standard work or expertise defined in the employment contract (or equivalent appointment act) and covered by the standard remuneration package. This difference must be relevant and verifiable.

Examples (acceptable additional remuneration):

A normal salary is paid for teaching + additional remuneration is paid for doing research.

A normal salary is paid for research + additional remuneration is paid for taking on the role of 'principal investigator' (in an ERC action).

A normal salary is paid for laboratory research + additional remuneration is paid for field research.

Examples (not acceptable additional remuneration):

Additional remuneration paid for using English.

Additional remuneration is paid for participating in EU funded or multi-partner actions.

- it is part of the beneficiary's usual remuneration practices and is consistently paid whenever the same kind of work or expertise is required;
- the **criteria** used to calculate the extra payments are **objective** and **generally applied** by the beneficiary, regardless of the source of funding used.

The objective criteria must be related to the additional work or expertise.

The system for making additional payments should be established in the beneficiary's internal rules or at least be documented and known by the employees.

 The additional remuneration cannot be paid to a specific employee at the discretion of the management.

Example (acceptable additional remuneration): *All teachers carrying out research on top of their usual teaching activities get an extra payment equal to 10% of their salary.*

Example (not acceptable additional remuneration): *The Director decides at its sole initiative to pay an extra 10% to one professor carrying out research.*

When a supplementary contract is used, the remuneration scheme must be described in it.

The rules for additional remuneration may not depend on the fund provider. In particular, they cannot be set up for actions funded by a specific donor, if these actions do not require a clearly identifiable different kind of work or expertise.

Examples (acceptable additional remuneration): *All professors carrying out research will be paid 10% more.*

Examples (not acceptable additional remuneration): *All professors carrying out research will be paid 10% more when they work on EU funded actions.*

 Additional remuneration is only eligible for non-profit legal entities.

 Additional remuneration is eligible only **up to a certain ceiling** ('eligibility ceiling', see below).

What? 'Additional remuneration' refers to payments higher than the employee's usual remuneration (*e.g. a 'bonus' resulting in an hourly rate higher than the normal one*).

What not? It does not refer to additional salary paid to the employee due to an increase in the number of hours worked on the standard work or expertise defined in the employment contract (*e.g. via an additional contract*) when this additional hours are remunerated according to the standard salary conditions of the employee.

Specific cases:

'**Supplementary contracts**' (whatever their form) for carrying out tasks for specific actions (*e.g. an EU action*) with remuneration that is different from the standard remuneration are acceptable, if it is the beneficiary's usual practice, the beneficiary is a non-profit legal entity and this is authorised under national law. However, the difference between the remuneration paid in the additional contract and the standard remuneration package in the first non-action-related contract is considered 'additional remuneration' and is subject to the specific cost eligibility conditions mentioned above and, if eligible, to the eligibility ceiling.

Costs for natural persons working under a direct contract

Costs for natural persons working under a direct contract are eligible as personnel costs, if all or the following apply:

- they **fulfil** the **general conditions** for costs to be eligible (i.e. incurred/used during the action duration, necessary, linked to the action, etc.. see Article 6.1(a) and (b));
- there is a **direct contract** between the natural person (individual) and the beneficiary.

The contract cannot be with a third party legal entity (*e.g. a temporary work agency*);

- the person works under the **beneficiary's instructions** and, unless otherwise agreed with the beneficiary through a teleworking agreement, on the **beneficiary's premises**.

It must be the beneficiary who decides on, designs and supervises all work. The consultant must report to the beneficiary.

- the **result** of the work carried out **belongs to the beneficiary**.

The work carried out, including any resulting patents or copyrights, must belong to the beneficiary;

- the **costs** are **not significantly different** from those for personnel performing similar tasks under an employment contract with the beneficiary.

The remuneration must be based on working hours, rather than on delivering specific outputs/products.

What? This is typically the case of in-house consultants (i.e. self-employed natural persons working part-time or full-time for the action; not companies).

What not? Persons provided by a temporary work agency.

 The cost of using a temporary work agency that makes personnel available to a beneficiary may nevertheless be eligible as ‘purchase of a service’ (see Article 10) or as a ‘subcontracting cost’ (see Article 13).

Costs of personnel seconded by a third party

Costs of personnel seconded by a third party are eligible, if all of the following apply:

- they **fulfil** the **general conditions** for costs to be eligible (i.e. incurred/used during the action duration, necessary, linked to the action, etc.; see Article 6.1(a) and (b));
- the person is **seconded**.

Secondment refers to the temporary transfer of personnel from a third party to the beneficiary. The seconded person is still paid and employed by the third party, but works for the beneficiary. S/he is at the disposal of the beneficiary.

Example: A researcher in a public research centre is seconded to work in a university that is a beneficiary in a GA.

 Secondment does not necessarily require the seconded person to work at the beneficiary’s premises, though this is what usually happens.

- the beneficiary **reimburses the costs** to the third party (not for free);
- the **additional specific eligibility conditions** set out in Article 11 are fulfilled.

 The seconded personnel is considered an ‘in-kind contribution provided by a third party against payment’ (see Article 11).

① For information on in-kind contributions provided by third parties free of charge, see Articles 6.4 and 12.

Costs of beneficiaries that are SMEs for their owners not receiving a salary

Personnel costs of SME owners not receiving a salary are eligible, if all of the following apply:

- they **fulfil** the **general conditions** for unit costs to be eligible (i.e. units used during the action duration, necessary, linked to the action, etc.; see Article 6.1(b));
- they correspond to the amount per unit (EUR/hour worked on the action; hourly rate) set out in Annex 2 multiplied by the number of **actual hours worked on the action**, and
- they are declared for an **owner** of an **SME** who **works on the action** but **does not receive a salary**.

The owner may be compensated by means such as dividends, service contracts between the company and the owner, etc.

 The cost must be declared on the basis of the unit cost fixed by Commission Decision C(2013) 8197⁷ and set out in Annex 2 of the GA.

⁷ Commission Decision C(2013) 8197 of 03 December 2013 authorising the use of reimbursement on the basis of unit costs for the personnel costs of the owners of small and medium-sized enterprises and beneficiaries that are natural persons not receiving a salary under the Horizon 2020 Framework Programme for Research and

Costs of beneficiaries that are natural persons not receiving a salary

Costs of beneficiaries that are natural persons not receiving a salary are eligible, if all of the following apply:

- they **fulfil** the **general conditions** for unit costs to be eligible (i.e. units used during the action duration, necessary, linked to the action, etc.; see Article 6.1(b));
- they correspond to the amount per unit (EUR/hour worked on the action; hourly rate) set out in Annex 2 multiplied by the number of **actual hours worked on the action**, and
- they are declared for a beneficiary that is **natural person** who **works on the action** but **does not receive a salary**.

 The cost must be declared on the basis of the unit cost fixed by Commission Decision C(2013) 8197 and set out in Annex 2 of the GA.

Personnel costs for providing trans-national or virtual access to research infrastructure

Personnel costs (i.e. basic remuneration, additional remuneration, costs for natural persons working under a direct contract, costs of personnel seconded by a third party against payment..., see above) incurred for providing trans-national or virtual access to research infrastructure must — in addition to the conditions above — comply with the **additional specific eligibility conditions** set out in Article 16.

2. Calculation of basic remuneration costs, costs of personnel seconded by a third party against payment and personnel costs for providing trans-national access to research infrastructure

All types of personnel cost — except for **costs for natural persons working under a direct contract**, costs of SME owners not receiving a salary, and costs of beneficiaries that are natural persons not receiving a salary — must be calculated using the formula set out in the GA:

{{hourly rate

multiplied by

number of actual **hours worked on the action**},

plus

for non-profit legal entities: **additional remuneration** to personnel assigned to the action under the conditions set out above (Point A.1)}.

 The total number of hours declared in EU and Euratom grants, for a person for a year, cannot be higher than the standard number of annual productive hours used for the calculation of the hourly rate (see below).

On the basis of this formula, the beneficiary must — for each person for whom it declares costs — follow three steps:

Step 1 — Calculation of the hourly rate

Innovation and under the Research and Training Programme of the European Atomic Energy Community (2014-2018) .

Step 2 — Multiplying the hourly rate by the number of actual hours worked on the action

Step 3 — For non-profit legal entities: Addition of additional remuneration, if any

Example (for calculation of basic remuneration costs):

A nuclear researcher working for a public research laboratory (non-profit) worked:

1 600 productive hours

800 hours declared for the action (at an hourly rate of EUR 40)

400 hours declared for another EU grant

S/he received eligible additional remuneration of EUR 2 000 for being Head of Project.

*Calculation of the personnel costs: EUR 40/hour * 800 hours = 32 000*

Addition of the additional remuneration: = 2 000

Total costs charged to the action for the year: 32 000 + 2 000 = EUR 34 000

 *Condition: Actual hours declared for action + actual hours declared for another EU grant ≤ total productive hours (800 + 400 < 1 600)*

Step 1 — Calculation of the hourly rate

According to the GA, the **hourly rate** — for personnel costs declared as **actual costs** — must be calculated as follows:

{actual **annual personnel costs** (excluding additional remuneration) for the person

divided by

number of **annual productive hours**}.

Example (for calculation of hourly rate):

A nuclear researcher working for a public research laboratory (non-profit) worked 1 600 productive hours.

Remuneration components:

a = annual salary: EUR 50 000

b = extra payment for holding a post involving radioactive hazards: EUR 5 000

c = additional remuneration for being Head Scientist in a Project: EUR 2 000

a and b would be used to calculate the hourly rate. The calculation must exclude any additional remuneration which, if eligible, will have to be calculated separately.

hourly rate for the action = {(50 000 + 5 000)/1 600} = EUR 34

 For the sake of simplicity and in order to avoid calculation errors, the hourly rate must be calculated **by financial year** and has to be made always on the basis of full financial years.

Example: When the financial year matches the calendar year (most common case), i.e. 1st January – 31st December, the hourly rate for the hours worked in 2014 will be calculated using the personnel costs from January to December 2014.

If at the end of the reporting period the on-going financial year is not yet completed, the beneficiary must use the same hourly rate it calculated for the last closed financial year.

In other words, if on a reporting period there are months for which the financial year is not closed the beneficiaries must use the last closed financial year available to declare those costs (see example below).

 The beneficiary cannot submit adjustments (neither positive nor negative) in the next reporting period resulting from a re-calculation of the hourly rate once the on-going financial year is closed.

Exception: Employees hired during the on-going financial year (at the end of the reporting period). Since these employees did not work for the beneficiary during the last financial year, the hourly rate can only be calculated on the basis of his/her personnel costs incurred during the reporting period.

Example:

1. Action with 1 reporting period of 18 months from 1.10.2014 to 31.3.2016. The beneficiary's financial year closes on 31 December of every year.

Calculation of the hourly rate:

From 1.10.2014 to 31.12.2014: on the basis of the closed financial year 2014.

From 1.01.2015 – 31.12.2015: on the basis of the closed financial year 2015.

From 1.01.2016 – 31.3.2016: hourly rate calculated for the last closed financial year available → 2015.

2. The beneficiary hires a new employee on 1.2.2016 → the hourly rate would be calculated taking into account his/her personnel costs for February and March 2016.

 In order to avoid calculation errors, particular attention must be given in order to correctly determine the pro-rata of the annual productive hours (e.g. if 1 720 hours are used, the productive hours for the period February-March would be $1\ 720 / 12 * 2 = 287$).

The **annual personnel costs** may include only eligible personnel costs and must exclude eligible additional remuneration (since that will be added at the end).

For calculating the **annual productive hours**, the beneficiary must use one of the following options:

- 1 720 hours for persons working full time (or corresponding pro-rata for persons not working full time) (**'1720 fixed hours'**);
- the total number of hours worked by the person in the year for the beneficiary (**'individual annual productive hours'**), or
- the 'standard number of annual hours' generally applied by the beneficiary for its personnel in accordance with its usual cost accounting practices (**'standard annual productive hours'**).

 The option must be applied not only to the person for whom it declares costs, but per group of personnel employed under similar conditions.

 Productive hours must be calculated on the basis of *all* working activities.

Using only the so-called 'billable hours' is not acceptable.

Example productive hours vs. billable hours:

X is a researcher employed full time in a research organisation participating in a Horizon 2020 action. According to the beneficiary's cost accounting practices, the standard number of annual hours (productive hours) is 1 600 hours.

At the end of the year, the distribution of time of X is as follows:

<i>Type of activity</i>	<i>Annual productive hours/activity</i>	<i>Billable hours</i>
<i>for Horizon 2020 action</i>	<i>400</i>	<i>400</i>
<i>for other projects</i>	<i>200</i>	<i>200</i>
<i>for the preparation of proposals for new projects</i>	<i>600</i>	<i>0</i>
<i>member of the management board of the RO</i>	<i>400</i>	<i>0</i>
<i>total number of hours</i>	<i>1 600</i>	<i>600</i>

 In case the person concerned has been on parental leave during the year, the annual productive hours may be reduced by subtracting from them the actual time spent on parental leave.

The table below explains the three different options for annual productive hours:

Options	What does it mean?	When can it be used? How should it be used?	What happens if you make a mistake?
Option 1 1 720 fixed hours	The number of hours is fixed for full-time employees (and it is pro-rata for employees working part-time). [<p style="text-align: center;">In all cases</p> <p style="text-align: center;">Any beneficiary can use this option.</p>	<p style="text-align: center;">∅</p> <p style="text-align: center;">Not applicable</p>
Option 2 Individual annual productive hours	The number of hours is calculated on the basis of the ‘annual workable hours’ of the employee (i.e. the total number of hours for which a employee is working for the beneficiary, including the overtime worked and absences (<i>such as sick leave or other types of special leave</i>)).	<p><u>This option can be used, if:</u></p> <ul style="list-style-type: none"> • the number of ‘individual annual productive hours’ is calculated according to the formula specified in the grant agreement <p style="margin-left: 20px;">{annual workable hours of the person (according to the employment contract, applicable labour agreement or national law)</p> <p style="margin-left: 20px;">plus</p> <p style="margin-left: 20px;">overtime worked</p> <p style="margin-left: 20px;">minus</p> <p style="margin-left: 20px;">absences (such as sick leave and special leave));</p> • the ‘annual workable hours’ are established according to one of the following: <ul style="list-style-type: none"> ○ employment contract of the person concerned; ○ applicable collective labour agreement, or ○ national law on working time. <p style="margin-left: 20px;"><i>Example: contract stipulating 35 hours of work per week</i></p> <p>⚠ If the employment contract, collective labour agreement or national law does not allow to determine the number of individual annual workable hours, this</p> 	If our auditors find that a beneficiary made a mistake, the Commission/Agency will recalculate the eligible costs as follows: <ul style="list-style-type: none"> – if the calculation method was not consistently applied (<i>e.g. the beneficiary used option 2 for one employee and option 3 for another employee employed under similar conditions</i>): the auditors will adjust the number of annual productive hours by applying option 2 to all persons concerned, where possible. – if the employment contract, applicable collective labour agreement or national working time legislation does not allow determining the number of individual annual workable hours: the auditors will apply option 1. – if not <i>all</i> annual workable hours were included, the auditors will recalculate the productive hours to include all workable hours.

		<p>option cannot be used.</p> <ul style="list-style-type: none"> • this calculation method is consistently applied (per group of personnel under similar conditions). <p><i>Example (for calculation of individual annual workable hours):</i></p> <p><i>X is a full-time researcher (working eight hours per day, from Monday to Friday) at Research Centre Z. X's contract includes 22 working days of annual leave, plus eight days of public holidays. In the financial year covered by the reporting period in question, X worked 29 hours of overtime and was on sick leave for five days.</i></p> <p><i>The individual annual workable hours would therefore be:</i></p> <p><i>365 days — 104 days (Saturdays and Sundays) — 22 days (annual leave) — 8 days (public holidays) = 231 days x 8 hours per day = 1 848 hours</i></p> <p><i>Individual annual productive hours for Researcher X:</i></p> <p><i>Annual working hours = 1 848</i> <i>+ overtime (hours) = 29</i> <i>- annual sick leave (5 days x 8 hours) = 40</i> <i>→ individual annual productive hours for Researcher X = 1 837</i></p> <p><i>Research Centre Z may use 1 837 as individual annual productive hours for this researcher.</i></p>	
<p>Option 3</p> <p>Standard annual productive hours</p>	<p>The number of hours is calculated on the basis of the 'standard annual productive hours' generally applied by the beneficiary for its personnel, in accordance with its usual cost accounting practices.</p> <p> The standard annual productive hours may be calculated for the entity as a whole, per category of personnel, per cost centre, etc.</p> <p> The beneficiary may include or exclude certain activities (e.g. general training, general meetings etc.) when</p>	<p>This option can be used if:</p> <ul style="list-style-type: none"> • the number of standard annual productive hours is calculated in accordance with the beneficiary's usual cost accounting practices; • this calculation method is consistently applied (per group of personnel under similar conditions); • the number of standard annual productive hours is at least 90% of 'standard annual workable hours'. <p>The standard annual workable hours is the standard number of hours that a full time employee of the group having the same standard productive hours ('reference</p>	<p>If our auditors find that a beneficiary made a mistake, the Commission/Agency will recalculate the eligible costs as follows:</p> <ul style="list-style-type: none"> – if the standard annual productive hours were calculated not in accordance with the beneficiary's usual cost accounting practices, the auditors will adjust the number of annual productive hours by applying option 2, if possible; – if the calculation method was not applied consistently, the auditor will adjust the number of annual productive hours by applying option 2, if possible;

	<p>calculating the standard annual productive hours, if this is in line with its usual cost accounting practices.</p>	<p>group', e.g. a category of employees, employees of a cost centre, etc.) must be present at work under normal circumstances, as defined in:</p> <ul style="list-style-type: none"> ○ the employment contracts of the reference group; ○ an applicable collective labour agreement, or ○ the national law on working time legislation. <p> If the contract, collective labour agreement or national law does not allow to determine the number of individual annual workable hours, this option cannot be used.</p> <p><i>Example (no applicable reference for standard annual workable hours):</i></p> <p><i>A researcher carries out research for the beneficiary for a fixed salary per month. However, the employment contract does not allow to determine the number of hours to be worked. There is no applicable collective agreement and national legislation does not regulate the number of workable hours per year for this type of labour agreement.</i></p> <p><i>In this case, there is no applicable reference for standard annual workable hours. Therefore, the beneficiary must use option 1 (1 720 annual productive hours).</i></p> <p> If its number of standard annual productive hours is higher than 90%, the beneficiary must use the number of standard annual productive hours.</p> <p> If its number of standard annual productive hours is lower than 90%, the beneficiary must use the 90% or choose one of the other options.</p> <p><i>Example (for calculation of standard annual workable hours):</i></p> <p><i>Full-time researchers hired by Research Centre Z have an employment contract that states that they must work eight hours per day, from Monday to Friday. National legislation provides for 22 working days of annual leave, plus eight days of public holidays. The applicable collective labour agreement adds three extra days of annual leave.</i></p> <p><i>The standard annual workable hours for Research Centre Z would therefore</i></p>	<ul style="list-style-type: none"> – if there is no applicable reference for the standard annual workable hours, the auditors will apply option 1; – if the number of standard annual productive hours used by the beneficiary was lower than 90% of standard annual workable hours, the auditor will use either the 90% of workable hours or option 1, whichever is more favourable for the beneficiary. – if conditions a) and b) are fulfilled but the beneficiary uses 90% of standard annual workable hours instead of the number of annual productive hours arrived at by using its usual accounting practices (higher than 90%), the auditor will adjust the number of productive hours to the higher number.
--	---	---	---

		<p>be:</p> <p>365 days — 104 days (Saturdays and Sundays) — 22 days (annual leave) — 8 days (public holidays) — 3 days (collective agreement) = 228 days * 8 hours per day = 1 824 hours</p> <p>Standard annual productive hours for Research Centre Z:</p> <p>Research Centre Z would like to use its usual cost accounting practices to calculate the hourly rates for EU actions. It calculates the number of standard annual productive hours as follows:</p> <p>Annual working days = 228 - average annual sick leave (days) = 3 - days of general training = 4 - other unproductive activities (days) = 9 → productive days = 212 Multiplied by 8 working hours per day → standard annual productive hours = 1 696</p> <p>This number of standard annual productive hours must then be compared with 90% of standard annual workable hours (in this example 1 824).</p> <p>90% of 1824 = 1 642</p> <p>1 696 hours (usual cost accounting practice) > 1 642 hours (90% annual workable hours)</p> <p>Research Centre Z may apply its number of standard annual productive hours (i.e. 1 696) to EU actions since the number is higher than 90% of annual workable hours.</p> <p>⚠ If its number of standard annual hours is lower than 1 642 (e.g. 20 days of other unproductive tasks instead of 9 → 1 608 annual productive hours), Research Centre Z must apply 1 642 hours (90% of the annual workable hours).</p> <p>⚠ If its number of standard annual productive hours is higher than 90% (in our example it is 93%: 1 696/1 824), Research Centre Z must use this number (and not 90% of annual workable hours).</p>	
--	--	--	--

For personnel costs declared as a unit cost on the basis of the **beneficiary's usual cost accounting practices**, the **hourly rate** must be calculated by the beneficiary in accordance with its usual cost accounting practices for determining the hourly rates of its personnel.

The GA sets the following conditions:

- the cost accounting practices used must be applied in a consistent manner, based on objective criteria, regardless of the source of funding.

The beneficiary must consistently apply its usual cost accounting practices based on objective criteria that must be verifiable if there is an audit. It must do this no matter who is funding the action.

 This does not mean that cost accounting practices must be the same for all types of employees, departments or cost centres. If, for instance, the beneficiary's usual cost accounting practices include different calculation methods for permanent personnel and temporary personnel, this is acceptable. However, the beneficiary cannot use different methods for specific research actions or projects on an ad-hoc basis.

Example (acceptable usual cost accounting practices): Individual (actual) personnel costs are used for researchers, average personnel costs (unit costs calculated in accordance with the beneficiary's usual cost accounting practices) are used for technical support staff.

Example (unacceptable usual cost accounting practices): Average personnel costs are used to calculate costs in externally-funded projects only.

- the hourly rate must be calculated using the actual **personnel costs** recorded in the beneficiary's accounts, excluding any ineligible cost or costs already included in other budget categories.

Any cost considered ineligible by the Commission but included in the beneficiary's usual accounting practices must be excluded when calculating the personnel costs for the action.

If necessary, it must be adjusted to fulfil all eligibility criteria.

Example: A beneficiary calculates the hourly rate in accordance with its usual cost accounting practices and includes taxes not included in remuneration. These are ineligible and must therefore be removed from the hourly rate declared for personnel working on the action.

Costs that are already included in other budget categories must be taken out (double funding of the same costs).

Example: Beneficiaries whose cost accounting practices include for the calculation of the hourly rate indirect costs under Article 6.2. These indirect costs must be removed from the pool of costs used to calculate the hourly rate charged to Horizon 2020 actions. In Horizon 2020 actions, indirect costs must be declared using a flat rate of 25%, so personnel costs cannot include any indirect costs.

Budgeted or estimated figures are not costs actually incurred and may only be accepted as eligible components of the hourly rate if they:

- are relevant, i.e. clearly related to personnel costs;
- are used in a reasonable way, i.e. they do not play a major role in calculating the hourly rate;

- correspond to objective and verifiable information, i.e. their basis is clearly defined and the beneficiary can show how they were calculated.

Example: calculating average 2014 hourly rates by using 2013 payroll data and increasing them by adding the CPI (consumer price index) on which the basic salaries are indexed.

- the hourly rate must be calculated using the number of annual productive hours (i.e. either option 1 or 3).

 The beneficiaries may request the approval of the methodology used by them, by submitting (via the electronic exchange system) an audit certificate on their usual cost accounting practices (for information on this point see Article 18.1.2(b) and Annex 6). Costs declared in line with an approved methodology will not be challenged subsequently (unless the beneficiaries concealed information for the purpose of the approval).

Step 2 — Multiplying the hourly rate by the number of actual hours worked on the action

By multiplying the hourly rate by the number of hours actually worked by the person, the beneficiary determines the amount it can declare as personnel cost.

Step 3 — For non-profit legal entities: Addition of the additional remuneration, if any

If the person received eligible additional remuneration (and if the beneficiary is a non-profit legal entity), it may also declare the share of the additional remuneration that can be attributed to the action in the way described below.

If the resulting amount is above the following **eligibility ceilings**, it must be capped:

Occupation	Contract	
	hired full time during the entire year	NOT hired full time during the entire year
working exclusively for the EU action	EUR 8 000	pro-rata amount of EUR 8 000
NOT working exclusively for the EU action	{8 000 / annual productive hours FTE} * hours worked for the action over the year	

The eligibility ceiling is *fixed* at EUR 8 000 per year for each full time equivalent (FTE), i.e. EUR 8 000 for a **full-time employee working exclusively for the action during the entire year**.

Example: A researcher employed part time by the beneficiary to work four days a week would correspond to 0.8 FTE → the ceiling would be fixed at EUR 8 000 * 0.8 = EUR 6 400 per year.

For an **employee working exclusively for the action but not hired full time during the entire year**, the ceiling is reduced pro-rata.

Example:

A researcher employed full time to work for the action from January to March (i.e. for three months) would correspond to 0.25 FTE (3 out of 12 months) → the ceiling would be fixed at EUR 8 000 * 0.25 = EUR 2 000.

If the researcher was employed part time (e.g. 80%), → the ceiling would be adjusted as follows: $8\,000 * 0.25 * 0.80 = \text{EUR } 1\,600$.

For an **employee not working exclusively for the action**, the ceiling is *calculated pro-rata*, based on the hours worked for the action. Therefore, additional remuneration paid on top of the standard hourly rate is eligible up to a maximum of:

$$\frac{\text{EUR } 8\,000}{\text{annual productive hours of an FTE}} * \text{hours worked by the employee for the action over the year}$$

Example:

An employee received a EUR 2 000 bonus for being Head of Project for the EU action.

S/he worked 1 600 annual productive hours, 800 of them for the EU action.

Maximum additional remuneration eligible for the EU action (eligibility ceiling):

$$\{\text{EUR } 8\,000 / 1\,600\} * 800 \rightarrow 5 * 800 = \text{EUR } 4\,000$$

The additional remuneration paid for the EU action is eligible in full because it is lower than the eligibility ceiling ($2\,000 < 4\,000$).

If the additional remuneration paid for being Head Scientist in the action had been EUR 7 000 instead of EUR 2 000, the eligibility ceiling would apply and only EUR 4 000 could be charged to the action (even if the actual payment was EUR 7 000).

If the researcher had worked 200 hours instead of 800 hours for the EU action, the eligibility ceiling would have been:

$$\{\text{EUR } 8\,000 / 1\,600\} * 200 \rightarrow 5 * 200 = \text{EUR } 1\,000$$

In this case, the ceiling would also apply, since EUR 2 000 (additional remuneration paid) > EUR 1 000 (ceiling). Only EUR 1 000 could be charged to the action even if the actual payment was EUR 2 000.

2. Calculation of costs for natural persons working under a direct contract

The calculation of ‘costs for natural persons working under a direct contract’ for a beneficiary (i.e. a contract which is not governed by labour law) depends on how the contract is established (i.e. if it is based on an hourly rate, or on a monthly one, or even on a fixed amount).

A calculation method is required, in particular if the natural person works on different projects.

Cost of natural persons working under a direct contract for a beneficiary must be calculated according to the same formula explained in point 1 above (i.e. hourly rate multiplied by the number of actual hours worked on the action).

 Even if the formula is the same, the hourly rate is different, as it is not based on the annual personnel costs as registered on the payroll.

How? Beneficiaries must use one of the following options:

- if the contract specifies an hourly rate, then this hourly rate must be used;
- if the contract states a fixed amount for the services of the natural person, then this global amount must be divided by the number of hours worked for the beneficiary under that contract.

3. Calculation of costs of SME owners and beneficiaries that are natural persons not receiving a salary

Costs of an SME owner not receiving a salary and costs of a beneficiary that is a natural person not receiving a salary must be calculated by multiplying the amount per unit (EUR/hour worked on the action, the hourly rate) set out in Annex 2 by the number of actual hours worked on the action.

This hourly rate is based on the calculation set out in Commission Decision C(2013) 8197:

{Monthly living allowance for experienced researchers under the Individual Fellowship actions of the Marie Skłodowska-Curie actions / 143 hours}

multiplied by

{country-specific correction coefficient / 100}

⚠ The total number of hours declared in EU and Euratom grants for an SME owner for a year cannot be higher than the standard number of annual productive hours used for the calculation of the hourly rate. For SME owners without salary, this is 1 720 hours.

⚠ SME owners who receive a salary registered as such in the accounts of the SME cannot declare costs based on this unit cost.

⚠ If the SME owner can show evidence that his/her salary corresponds exclusively to the management of the SME, s/he may declare his/her personnel costs for the action based on the unit cost set out in Annex 2. The salary for the management of the SME cannot be declared.

The Commission may verify that the beneficiary fulfils the conditions for charging this unit cost, and if it applied the formula correctly.

⚠ If the remuneration status of the SME owner changes during the course of the action, the beneficiary has to request an amendment (via the electronic exchange system), in order to change the form of costs used (e.g. *from unit cost to actual costs*).

Example:

A GA was signed in 2014 with an SME whose owner does not receive a salary. The action's personnel costs are calculated based on the unit cost set out in Annex 2.

In 2016, the SME starts paying the owner a salary for his/her work. From that moment on, any costs charged to the Horizon 2020 action require an amendment to the GA to remove the unit cost and to allow the SME owner to charge personnel costs based on his/her salary. The SME may no longer use unit costs to declare the costs of its owner.

B. Direct costs of subcontracting [(not included in Point F)] (including related duties, taxes and charges such as non-deductible value added tax (VAT) paid by the beneficiary) are eligible if the conditions in Article 13 are met.

[OPTION to be used for trans-national access to research infrastructure: Subcontracting costs for providing trans-national access to research infrastructure are eligible only if also the conditions set out in Article 16.1.1 are met.]

[OPTION to be used for virtual access to research infrastructure: Subcontracting costs for providing virtual access to research infrastructure are eligible only if also the conditions set out in Article 16.2 are met.]

1. Types of costs and conditions for eligibility

Direct costs of subcontracting are eligible, if all of the following apply:

- they **fulfil** the **general conditions** for actual costs to be eligible (i.e. incurred during the action duration, necessary, linked to the action, etc.; see Article 6.1(a));
- they are incurred for the **subcontracting of action tasks** described in Annex 1 (see Article 13);
- the **additional specific eligibility conditions** set out in Article 13 are fulfilled, and
- for subcontracting costs incurred **for providing trans-national or virtual access to research infrastructure**: the **additional specific eligibility conditions** set out in Article 16 are fulfilled.

Direct costs of subcontracting must be declared as actual costs (i.e. on the basis of the prices actually paid) (see Article 5.2(b)).

 Costs that are already covered by a unit cost or lump sum under Article 5.2(f) may not be declared as direct costs of subcontracting.

Example: The unit costs for efficiency energy measures covers subcontracting costs related to the energy efficiency measures. These cannot be declared as direct costs of subcontracting. However, costs for subcontracts not included in the unit cost or lump sum (e.g. subcontracts required by the implementation of the action but not related to the efficiency energy measures) can be declared.

What? Subcontracting costs include (and are limited to) the price paid and the related taxes (for VAT see Article 6.5).

C. Direct costs of providing financial support to third parties [(not included in Point F)] [OPTION to be used if Article 15 applies: are eligible if the conditions set out in Article 15 are met.][OPTION: not applicable]

1. Types of costs and conditions for eligibility

Direct costs of providing financial support to third parties are eligible, if all of the following apply:

- they **fulfil** the **general conditions** for actual costs to be eligible (i.e. incurred during the action duration, necessary, linked to the action, etc.; see Article 6.1(a)) and
- the **additional specific eligibility conditions** set out in Article 15 are fulfilled.

 This budget category is optional and can be used only if the option applies.

Direct costs of providing financial support to third parties must be declared as actual costs (i.e. on the basis of the financial support actually paid) (see Article 5.2(c)).

 Costs that are already covered by a unit cost or lump sum under Article 5.2(f) may not be declared as direct costs of providing financial support to third parties.

D. Other direct costs [(not included in Point F)]

D.1 **Travel costs and related subsistence allowances** (including related duties, taxes and charges such as non-deductible value added tax (VAT) paid by the beneficiary) are eligible if they are in line with the beneficiary's usual practices on travel.

[OPTION to be used for trans-national access to research infrastructure: Travel costs for providing trans-national access to research infrastructure are eligible only if also the conditions set out in Article 16.1.1 are met.]

1. Types of costs and conditions for eligibility

Travel cost and related subsistence allowances are eligible, if all of the following apply:

- they **fulfil** the **general conditions** for actual costs to be eligible (i.e. incurred during the action duration, necessary, linked to the action, etc.; see Article 6.1(a)).

The travel for which costs are claimed must be necessary for the action (*e.g. to present a paper explaining the results of a conference*). Travel costs related to an event at which the beneficiary carried out work not specifically related to the action are not eligible.

All travel costs must be limited to the needs of the action; costs related to extensions (for other professional or private reasons) are not eligible.

Moreover, they must be adequately recorded.

- they are in line with the beneficiary's usual practices on travel.

travel and subsistence costs are considered to be direct eligible costs if they comply with the beneficiary's usual practices, and fulfil the general eligibility conditions.

Example:

Beneficiary A declares the cost of a business class airplane ticket for one of its employees.

If the beneficiary usually pays for staff in this category to travel in business class, then the cost of the business class ticket is eligible.

If the beneficiary's usual practice is to only pay for economy class tickets for staff in this category, then the cost of the business class ticket is not eligible.

If the beneficiary reimburses travel and/or related subsistence allowances as a lump sum and/or *per diem* payment, it is the lump sum or *per diem* amount that is considered an eligible cost, not the actual prices paid by the person receiving the lump sum or *per diem*.

 Such lump sums or per diem payments are not 'unit costs' or 'lump sum costs' under Article 5.2, but actual costs (because they are the actual cost incurred by the beneficiary).

The amount of the per diem or lump sum paid by the beneficiary must be recorded in the beneficiary's accounting system and will be checked if there is an audit;

- for travel and subsistence costs incurred **for providing trans-national or virtual access to research infrastructure**: the **additional specific eligibility conditions** set out in Article 16 are fulfilled.

Travel and subsistence costs must be declared as actual costs (see Article 5.2(d)).

 Costs that are already covered by a unit cost or lump sum under Article 5.2(f) may not be declared as other direct costs.

What? Travel costs and related subsistence allowances may also include all related duties, taxes and charges that the beneficiary has paid (such as non-deductible VAT see Article 6.5), if including them is part of its usual practices for travel.

Travel and subsistence costs may relate to the personnel of the beneficiaries as well as to external experts that participate in the action on an ad hoc basis (e.g. attending specific meetings), if the experts' participation is envisaged in Annex 1. In this case, the beneficiary may reimburse the experts or handle the travel arrangements itself (and be invoiced directly).

There is no distinction between travelling in or outside of Europe.

 Beneficiaries may contact the Commission/Agency to ask whether a particularly expensive travel plan would be accepted or not.

D.2 [OPTION by default: The **depreciation costs of equipment, infrastructure or other assets** (new or second-hand) as recorded in the beneficiary's accounts are eligible, if they were purchased in accordance with Article 10 and written off in accordance with international accounting standards and the beneficiary's usual accounting practices.

The **costs of renting or leasing** equipment, infrastructure or other assets (including related duties, taxes and charges such as non-deductible value added tax (VAT) paid by the beneficiary) are also eligible, if they do not exceed the depreciation costs of similar equipment, infrastructure or assets and do not include any financing fees.

The costs of equipment, infrastructure or other assets **contributed in-kind against payment** are eligible, if they do not exceed the depreciation costs of similar equipment, infrastructure or assets, do not include any financing fees and if the conditions in Article 11 are met.

The only portion of the costs that will be taken into account is that which corresponds to the duration of the action and rate of actual use for the purposes of the action.]

[OPTION (alternative to option above) to be used if foreseen in the work programme¹⁵: The cost of **purchasing equipment, infrastructure or other assets** (new or second-hand) (as recorded in the beneficiary's accounts) are eligible if the equipment, infrastructure or other assets was purchased in accordance with Article 10.

The **costs of renting or leasing** equipment, infrastructure or other assets (including related duties, taxes and charges such as non-deductible value added tax (VAT) paid by the beneficiary) are also eligible, if they do not exceed the depreciation costs of similar equipment, infrastructure or assets and do not include any financing fees.

The costs of equipment, infrastructure or other assets **contributed in-kind against payment** are eligible, if they do not exceed the depreciation costs of similar equipment, infrastructure or assets, do not include any financing fees and if the conditions in Article 11 are met.]

[OPTION (in addition to one of the two options above) for trans-national and virtual access to research infrastructure: As an exception, the beneficiaries must not declare such costs (i.e. costs of renting, leasing, purchasing depreciable equipment, infrastructure and other assets) for providing trans-national or virtual access to research infrastructure (see Article 16).]

¹⁵ To be used as an exception, only if justified by the nature of the action and the context of the use of the equipment or assets, if provided for in the work programme.

1. Types of costs and conditions for eligibility

Beneficiaries may declare the following equipment costs as other direct costs:

one of the following:

- either **depreciation costs** of equipment, infrastructure or other assets
- or **purchase costs** of equipment, infrastructure or other assets (if option applies)

and:

- costs of **renting or leasing** of equipment, infrastructure or other assets;
- costs of equipment, infrastructure or other assets **contributed in-kind against payment**.

Equipment costs must be declared as actual costs (see Article 5.2(d)).

 No equipment costs may be declared for providing trans-national or virtual access to research infrastructure.

 Costs that are already covered by a unit cost or lump sum under Article 5.2(f) may not be declared as other direct costs.

Depreciation costs of equipment, infrastructure or other assets

Depreciation costs are eligible, if all of the following apply:

- they **fulfil** the **general conditions** for actual costs to be eligible (i.e. incurred during the action duration, necessary, linked to the action, recorded in the beneficiary's accounts, etc.; see Article 6.1(a));
- they have been **purchased in accordance with Article 10.1**, and
- they are **written off** in accordance with the beneficiary's **usual accounting practices** and with **international accounting standards**.

'International accounting standards' are an internationally recognised set of rules for maintaining books and reporting company accounts, designed to be compared and understood across countries.

Example: The IAS (international accounting standards) or the International Financial Reporting Standards (IFRS), originally created by the EU and now in common international use.

What? Equipment costs include the depreciation for the relevant periodic report. It is expected that the beneficiary allocates the depreciable amount (purchase price) of an asset on a systematic basis over its useful life (i.e. the period during which the asset is expected to be usable; see also 'cash-based accounting' below)

Depreciated equipment costs can never exceed the equipment's purchase price.

Depreciation cannot be spread over a period longer than the equipment's useful life

In some cases (*e.g. infrastructure*), equipment costs may include the costs necessary to ensure that the asset is in good condition for its intended use (*e.g. site preparation, delivery and handling, installation, etc.*).

What not? If the beneficiary's usual practice is to consider durable equipment costs (or some of them) as indirect costs, these cannot be charged as direct costs, but are covered by the 25% flat rate for indirect costs (see Article 6.2.E). Any depreciation charged as a direct cost under a Horizon 2020 action must be a direct cost under the beneficiary's cost accounting practices (see concept of direct cost in Article 6.2.)

Example: Log book used to record the time and use of a wind tunnel for a specific action/activity.

Specific cases:

Equipment not used exclusively for the action — if the beneficiary does not use the equipment, assets, etc. exclusively for the action, only the part of the equipment's or asset's 'working time' for the action may be charged (i.e. the percentage of actual use and time used for the action). The amount of use (percentage and time used) must be auditable.

Example:

A microscope was bought but had not been fully depreciated before the action started. For 6 months in reporting period 1, it was used for action for 50% of the time and for other activities for the other 50% of the time. Linear depreciation according to the beneficiary's usual practices (depreciation over the expected period of use of the microscope): EUR 100 000 per year (EUR 50 000 for 6 months).

Costs charged to the project: EUR 50 000 (6 months of use) multiplied by 50% of use for the action during those 6 months = EUR 25 000.

Charging the full price of an asset in one single year might be considered either as not compliant with the international accounting standards or as an 'excessive' cost, if the asset is expected to be used over more than one year. It may therefore be considered ineligible (see cash-based accounting below).

Depreciation costs for **equipment** used for the action but **bought before the action start** are eligible if they fulfil the general eligibility conditions of Article 6.1(a). These remaining depreciation costs (the equipment has not been fully depreciated before the action's start) may be eligible only for the portion corresponding to the action duration and to the rate of actual use for the purposes of the action.

Example:

According to the beneficiary's accounting practices, an equipment bought in January 2013 has a depreciation period of 48 months.

If the GA is signed in January 2015 (when 24 months of depreciation have already passed) and the equipment is used for this action, the beneficiary can declare the depreciation costs incurred for the remaining 24 months, in proportion to the equipment's use for the action.

Cash-based accounting — if recording the equipment's *total* purchase cost as an expense follows the beneficiary's usual accounting practices and national accounting law, the beneficiary may charge the *part* of the cost that corresponds to the use of the item for the action to the relevant reporting period. This is however only accepted, if all of the following apply:

- the cost is economic and necessary;
- only the portion of the equipment used for the action is charged.
- ⚠️ If the equipment is used for other projects and/or for other activities, part of the equipment cost must be charged to these other projects/activities.
- the amount of use (percentage used and time) must be auditable.
- the percentage of the purchase cost charged to the action is calculated as follows:

$$\frac{\text{\{amount of time during which the equipment was used for the action (from the purchase date to the end of use for the action)\}}}{\text{\{equipment's total useful life\}}}$$

‘Useful life’ means the time during which the equipment is useful to the beneficiary.

 Useful life may be defined according to the beneficiary’s practices or be established per type of equipment by national tax regulations.

Example:

A beneficiary that uses cash-based accounting buys a machine for EUR 100 000 in March 2015. The machine is used for the action 50% of the time from 1 July 2015. The action started in January 2015 and runs for three years with two reporting periods. The machine’s useful life is six years.

In the reporting period ending in June 2016, the beneficiary must declare part of the purchase cost, taking into account the percentage of use, the time used for the action and the machine’s useful life:

EUR 100 000 x (12/72 months) x 50% (used for the action) = amount charged for the machine in the first reporting period

In the reporting period ending in December 2017, the beneficiary must declare:

EUR 100 000 x (18/72 months) x 50% (used for the action) = amount charged for the machine in the second reporting period

Cost of purchasing equipment, infrastructure or other assets

Under this option, the full purchase costs of the assets are eligible (not only the depreciation costs).

This option will apply if it is specifically included in the work programme. Otherwise, the beneficiary cannot use this option and the general depreciation rule applies.

Costs of renting or leasing equipment

Costs of renting or leasing equipment are eligible, if all of the following apply:

- they **fulfil** the **general conditions** for actual costs to be eligible (i.e. incurred during the action duration, necessary, linked to the action, etc.; see Article 6.1(a));
- they do **not exceed** the **depreciation costs of similar equipment**, infrastructure or assets, and
- they do **not** include any **financing fees**.

What? Leasing (finance leasing) with the option to buy the durable equipment: the equipment leased by the beneficiary is recorded as an asset of the beneficiary and the corresponding depreciation costs may be charged in accordance with the beneficiary’s usual accounting practices.

 The cost claimed cannot exceed the costs that would have been incurred if the equipment had been purchased and depreciated under normal accounting practices. The finance charges included in the finance lease payments are thus ineligible.

 The costs declared under the action cannot include any interest on loans taken to finance the purchase, or any other type of financing fee.

Renting and operational leasing: the equipment rented or leased by the beneficiary is not recorded as an asset of the beneficiary. There is no depreciation involved (as the item is still the property of the renting or leasing firm), but the rental or lease costs of the beneficiary (i.e. its periodic payments to the renting or leasing firm) are eligible, if they follow the beneficiary’s

usual practices and do not exceed the costs of purchasing the equipment (i.e. are comparable to the depreciation costs of similar equipment).

Costs of equipment, infrastructure or other assets contributed in-kind against payment

Costs of equipment, infrastructure or other assets contributed in-kind against payment are eligible, if all of the following apply:

- they **fulfil** the **general conditions** for actual costs to be eligible (i.e. incurred during the action duration, necessary, linked to the action, etc.; see Article 6.1(a));
- they do **not exceed** the depreciation **costs of similar equipment**, infrastructure or assets,
- they do **not** include any **financing fees**, and
- the **additional specific eligibility conditions** set out in Article 13 are fulfilled.

D.3 **Costs of other goods and services** (including related duties, taxes and charges such as non-deductible value added tax (VAT) paid by the beneficiary) are eligible, if they are:

- (a) purchased specifically for the action and in accordance with Article 10 or
- (b) contributed in kind against payment and in accordance with Article 11.

Such goods and services include, for instance, consumables and supplies, dissemination (including open access), protection of results, certificates on the financial statements (if they are required by the Agreement), certificates on the methodology, translations and publications.

[OPTION to be used for trans-national access to research infrastructure: Costs of other goods and services for providing trans-national access to research infrastructure are eligible only if also the conditions set out in Article 16.1.1 are met.]

[OPTION to be used for virtual access to research infrastructure: Costs of other goods and services for providing virtual access to research infrastructure are eligible only if also the conditions set out in Article 16.2 are met.]

1. Types of costs and conditions for eligibility

Costs of other goods and services are eligible, if all of the following apply:

- they **fulfil** the **general conditions** for actual costs to be eligible (i.e. incurred during the action duration, necessary, linked to the action, etc.; see Article 6.1(a))

and

- they are either **purchased specifically** for the action and in **accordance with Article 10** or
- **contributed in kind against payment** and in **accordance with Article 11**.
- for costs of other goods and services incurred **for providing trans-national or virtual access to research infrastructure**: the **additional specific eligibility conditions** set out in Article 16 are fulfilled.

Costs of other goods and services must be declared as actual costs (see Article 5.2(d)).

⚠ Costs that are already covered by a unit cost or lump sum under Article 5.2(f) may not be declared as other direct costs.

What? The list of goods and services that may be declared under this article includes:

- consumables and supplies;
- dissemination costs (including open access during the action) and conference fees for presenting project-related research;
- costs of intellectual property rights (IPR), including protecting results (*e.g. fees paid to the patent office for patent registration*) and royalties on access rights;
- certificates on financial statements (CFS) and certificates on methodology

⚠ If the grant agreement does not require a CFS (i.e. if the EU or Euratom contribution is less than EUR 325 000), CFS costs are not eligible, because they are not considered necessary.

- translation costs may be eligible if translation is necessary for the action's implementation, is justified, etc.

⚠ If there is any doubt about whether a cost is eligible, the beneficiaries should contact the Commission/Agency.

What not? If considering all or some of these costs as indirect costs is part of the beneficiary's usual accounting practices, the costs cannot be charged to the action as direct costs, as they are covered by the 25% flat rate.

Specific cases:

Supplies and consumables which were **already in the stock** of the beneficiary may be eligible as a direct cost if they are used for the action and fit the definition of direct costs under Article 6.2.

Internally invoiced costs Sometimes the use of certain resources is shared between different units of the same legal entity, and the costs of their use are charged through internal invoices. This type of costs may be eligible if their use for the project and the usage is properly recorded.

Internally invoiced personnel costs for project specific activities may be eligible if the time worked on the project is substantiated by records covering all the workable time of the relevant personnel. The eligible hourly rate must be calculated based on the actual cost for salaries and social charges incurred by the beneficiary.

D.4 **[OPTION by default: The capitalised and operating costs of 'large research infrastructure'¹⁶ directly used for the action are eligible, if:**

- (a) the value of the **large research infrastructure** represents at least 75% of the total fixed assets (at historical value in its last closed balance sheet before the date of the signature of the Agreement or as determined on the basis of the rental and leasing costs of the research infrastructure¹⁷);
- (b) the beneficiary's methodology for declaring the costs for large research infrastructure has been positively assessed by the Commission ('**ex-ante assessment**');
- (c) the beneficiary declares as direct eligible costs only the portion which corresponds to the duration of the action and the rate of actual use for the purposes of the action, and
- (d) they comply with the **conditions** as further detailed in the Horizon 2020 Grant Manual.]

[OPTION for all topics within calls under Part ‘Research Infrastructure’ (except for e-Infrastructure topics): not applicable.]

[OPTION to be used if foreseen in the work programme: not applicable.]

¹⁶ ‘**Large research infrastructure**’ means research infrastructure of a total value of at least EUR 20 million, for a beneficiary, calculated as the sum of historical asset values of each individual research infrastructure of that beneficiary, as they appear in its last closed balance sheet before the date of the signature of the Agreement or as determined on the basis of the rental and leasing costs of the research infrastructure.

¹⁷ ‘For the definition see Article 2(f) of Regulation (EU) No XXX/2013 of the European Parliament and of the Council of XX 2013 establishing H2020 - The Framework Programme for Research and Innovation (2014-2020): ‘**Research infrastructure**’ are facilities, resources and services that are used by the research communities to conduct research and foster innovation in their fields. Where relevant, they may be used beyond research, e.g. for education or public services. They include: major scientific equipment (or sets of instruments); knowledge-based resources such as collections, archives or scientific data; e-infrastructures such as data and computing systems and communication networks; and any other infrastructure of a unique nature essential to achieve excellence in research and innovation. Such infrastructures may be ‘single-sited’, ‘virtual’ or ‘distributed’.

1. Types of costs and conditions for eligibility

Capitalised and operating costs of large research infrastructures are eligible, if all of the following apply:

- they **fulfil the general conditions** for actual costs to be eligible (i.e. incurred during the action duration, necessary, linked to the action, etc.; see Article 6.1(a));
- the **sum of historical asset values of each individual research infrastructure** of the beneficiary, as they appear in its last closed balance sheet before the date of the signature of the Agreement or as determined on the basis of the rental and leasing costs of the research infrastructure, represents a total value of at least EUR 20 million for that beneficiary.
- the **value of large research infrastructures** of the beneficiary represents at least 75% of the total fixed assets (at historical value in its last closed balance sheet before the date of the signature of the Agreement or as determined on the basis of the rental and leasing costs of the research infrastructure);
- the beneficiary’s methodology for declaring the costs for large research infrastructure has been positively assessed by the Commission (‘**ex-ante assessment**’);
- the beneficiary declares as direct eligible costs only the **portion** which corresponds to the **duration** of the action and the rate of **actual use** for the purposes of the action, and
- they comply with the **conditions** as further detailed in the **Horizon 2020 Grant Manual**.

Costs of capitalised and operating costs of large research infrastructure must be declared as actual costs (see Article 5.2(d)).

 No capitalised and operating costs of large research infrastructure may be declared in certain calls under the Part ‘Research Infrastructure’.

 Costs that are already covered by a unit cost or lump sum under Article 5.2(f) may not be declared as other direct costs.

What? Beneficiaries may declare capitalised costs and operating costs of research infrastructure used for the action.

 The beneficiary must operate research infrastructure that falls under the definition of large research infrastructure (i.e. a total value of at least EUR 20 million and representing at least 75% of the total fixed assets). If this is the case, the value of the specific research infrastructure used for the action (and for which the costs are charged to the action) is irrelevant (i.e. it can be lower or higher than EUR 20 million) (see also below Section 2).

Capitalised costs are:

- all costs incurred in setting up and/or renewing the research infrastructure and
- some costs of specific repair and maintenance of the research infrastructure and parts or essential integral components.⁸

These costs are recorded as an asset in the balance sheet and expensed over the years. They can be claimed as direct costs through depreciation costs. The capitalised costs of the research infrastructure must be depreciated in line with international accounting standards (in particular, based on the useful economic life of the infrastructure) and with the beneficiary's usual accounting practices.⁹ Only the depreciation costs of the research infrastructure corresponding to actual use may be declared as eligible direct costs.

 Methods and national reporting practices may differ, but, for the declaration of costs under Horizon 2020 grants, it is these guidelines that must be followed for the financial reporting.

 Beneficiaries must use their 'usual accounting principles', i.e. the general and cost accounting principles, standards and procedures that they use to compile their legal/statutory financial accounts (i.e. balance sheet, profit and loss accounts, etc.) together with their analytical management information. These standards and principles must not be set up specifically for declaring costs under EU-funded actions. They should be changed/adapted only where strictly necessary to comply with the EU cost eligibility criteria. *Ad hoc* accounting and/or management schemes will not be accepted.

The costs of renting and/or leasing (excluding any finance fee/interest) of a research infrastructure may also be declared as eligible direct costs. As regards depreciation, only leasing costs of the research infrastructure corresponding to actual use may be declared as eligible direct costs.

 If a (tenant) beneficiary uses the values of contracts of renting or leasing of a research infrastructure for the calculation of the EUR 20 million threshold (see below) and consequently declares costs for such an infrastructure, these costs cannot be considered nor declared by any other beneficiary under any other Horizon 2020 grant (in particular not by the owner of the research infrastructure).

Operating costs are costs:

- which the beneficiary incurs specifically (i.e. directly for the research infrastructure that is used for the action) for running the research infrastructure (including scientific, technical and administrative personnel) and
- are directly linked to the research infrastructure.

In the statutory accounting, these are recorded in the beneficiary's statement of comprehensive income (profit and loss account).

⁸ See also International Financial Reporting Standard No 16.

⁹ See Article 126 of the Financial Regulation.

Only the following operating costs can be claimed as direct costs:

- personnel cost of administrative and support staff directly assigned to the functioning of the research infrastructure;
- rental/lease of the research infrastructure (for the period of its actual use for the action);
- maintenance and repair contracts (including calibrating and testing) specifically awarded for the functioning of the research infrastructure;
- consumables, materials and spare parts specifically used for the research infrastructure;
- facility management contracts including security fees, insurance costs, quality control and certification, upgrading to national and/or EU quality, safety or security standards (if not capitalised), specifically awarded for the functioning of the research infrastructure;
- energy and water specifically supplied for the research infrastructure.

What not?

The following costs cannot be declared as direct costs (non-exhaustive list):

- rental, lease or depreciation of buildings or plants not directly used for the action (e.g. administrative buildings, headquarters);
- statutory audit and legal fees (not including costs of certificates required under the grant agreement);
- office supplies and petty office equipment (purchased in bulk);
- other general services (cleaning, medical, library, services for publication, communication and connection, postage, dues and subscriptions, clothing, literature, transport, catering and similar items (i.e. items recorded by the beneficiary under the same account in the general ledger));
- management tasks and horizontal services (accounting and controlling, head office, corporate communications, HR and training, internal audit, management, quality management, strategic development, etc.);
- non-specific, non-activity-related or non-project-related costs (general): consumables, maintenance, general facilities management, conferences, hosted activities, security fees, insurance costs, general utilities, energy and water, and similar (i.e. items recorded by the beneficiary under the same account in the general ledger).

These costs are reimbursed through the flat-rate for indirect costs (see Point E of Article 6.2).

2. Large research infrastructure

Beneficiaries can declare capitalised and operating costs for '**large research infrastructure**', if they comply with the definition and conditions listed in Point D.4 of Article 6.2 (in particular if

the large research infrastructure has a total value of at least EUR 20 million¹⁰ and if the value of the large research infrastructure represents at least 75% of the beneficiary's total fixed assets, at historical value).

 The values of contracts of renting or leasing of research infrastructure may be considered for the calculation of the EUR 20 million threshold of the (tenant) beneficiary (see above).

The infrastructure used for the action must be a '**research infrastructure**' in technical terms, i.e. a facility, resource or service that is used by the research communities to conduct research and foster innovation in their fields; it may be used beyond research, e.g. for education or public services¹¹.

This covers for instance:

- major scientific equipment (or sets of instruments);
- knowledge-based resources such as collections, archives or scientific data;
- e-infrastructures, such as data, and computing systems, and communication networks.

The infrastructure may be 'single-sited', 'virtual' or 'distributed'.

Moreover, it must be a research infrastructure in accounting terms, i.e. recorded in the accounts of the beneficiary on the basis of a '**grouping of costs**' (comprising a wide range of items: buildings, machinery, equipment, IT, staff, repair and maintenance, specific security fees, etc.), specifically dedicated to the research infrastructure and necessary for it/them to function, and excluding costs that are incidental to the research infrastructure or necessary for accessing it, such as a car parks, conference and teaching rooms.

 In analytical (cost) accounting, this grouping of costs can be recorded in many different ways. The best practice recommended by the Commission is recording them using a specific code for the research infrastructure or under a cost centre.

3. Ex-ante assessment

Only beneficiaries that have obtained a positive ex-ante assessment of their costing methodology may declare capitalised and operating costs for large research infrastructure.

Only the costs actually incurred from the date of the positive ex-ante assessment can be declared in accordance with these guidelines.

When? Applications for ex-ante assessment can be submitted at any time during the preparation of any grant agreement.

 Costs incurred for operating large research infrastructure can be declared according to these guidelines only after having obtained the positive ex-ante assessment from the Commission.

How? The **ex-ante assessment** is composed of two steps:

Step 1: Status validation (i.e. if the beneficiary qualifies with definition and criteria for declaring costs under Point D.4 of Article 6.2).

¹⁰ Calculated as the sum of the historical asset values of the individual research infrastructures as they appear in the beneficiary's last closed balance sheet before the date on which the grant agreement is signed, or determined on the basis of the rental and leasing costs of the infrastructures.

¹¹ See Article 2(6) of the Horizon 2020 Framework Programme Regulation [No XXX/2013](#).

The beneficiary must self-declare whether it complies with the conditions set out above (in particular the EUR 20 million and the 75% thresholds), by filling the appropriate field ‘Declaration of costs under Point D.4: YES/NO’ in Annex 2. The beneficiary must then provide the relevant supporting documents to the Commission within one month.

The Commission will confirm or — after a contradictory procedure — refuse the status and inform the beneficiary accordingly.

 If the status is refused, the guidelines cannot be applied and the beneficiary cannot declare its costs of research infrastructure according to these guidelines.

Step 2: Methodology compliance (i.e. if the beneficiary’s methodology complies with the conditions set out below).

Following an in-depth (in principle on-the-spot) assessment, the Commission will issue a draft report and submit it to a contradictory procedure with the Beneficiary. During this phase the Beneficiary has the possibility to amend its methodology by removing any non-compliant component of it. Thereafter, a final (negative or positive) ‘ex-ante assessment report’ will be issued.

 The guidelines cannot be applied before a positive final ex-ante assessment report. Therefore, any cost declared under Point D.4 of Article 6.2 without such a report (or declared before such a report is issued) will be rejected. However, a positive final ex-ante assessment report allows the beneficiary to amend previous financial statements already lodged by submitting a ‘**corrected financial statement**’.

 Costs declared in accordance with the methodology positively assessed by the Commission will **not be challenged during audits**, except in case of irregularity and fraud. The auditors will:

- (i) ensure that the methodology positively assessed is the one being used and
- (ii) verify the accuracy of the calculations made applying the methodology.

4. Other conditions

4.1 Costs must be identifiable and verifiable

All declared costs must be identifiable and verifiable, i.e. supported by persuasive evidence allowing for a sufficient audit trail.

 The sufficiency and the persuasiveness of the evidence provided, as well as the audit trail, will be assessed against the International Standards on Auditing.

Capitalised costs claimed as depreciation costs must be supported by:

- proper registration in the assets’ register;
- evidence of actual use for the action, e.g. through time registration;
- adequate calculation of potential use (total productive time);
- adequate calculation of the useful economic life of the asset;
- evidence that depreciation is calculated in line with the beneficiary’s usual accounting principles and the applicable accounting standards.

4.2 Costs must be incurred in direct relationship with the research infrastructure *and* with the action

Beneficiaries cannot declare their full organisational or general operating costs, even if they are fully research-oriented (e.g. a research organisation, technical university, research enterprise). These costs are covered by the flat-rate for indirect costs (see Point E of Article 6.2).

Only costs that have been incurred in **direct relationship** with the research infrastructure and that are necessary for the implementation of the action can be claimed as direct costs under Point D.4 of Article 6.2.

This applies if:

- for capitalised costs: the implementation of the action specifically requires the use of the research infrastructure;
- for operating costs: the functioning of the research infrastructure specifically requires the assignment of administrative and support staff, or the award of service or supply contracts.

Beneficiaries must be able to demonstrate eligibility by means of an audit trail and sufficient evidence, such as:

- their usual management practices and procedures.
 -  Only written and consigned practices and procedures which are part of the beneficiary's internal control framework will be accepted. Oral statements will not be accepted.
- internal management exchanges necessary for the approval of an underlying transaction;
- purchase orders, delivery notes, invoices, proof of payment or any other evidence of exchanges between the client and the provider(s) prior to signature of the contract or agreement.
 -  The beneficiary must prove the reality of the underlying transaction (including the absence of a credit note or back-payment offsetting the transaction). Gathering such evidence may require a comprehensive analysis of the beneficiary's general ledger.
- for works contracts, any statement of work in progress, delivery status or assembling overview.

The evidence mentioned in the last three points must be explicitly linked to the specific research infrastructure and/or action, and to the specific cost item.

Beneficiaries may prove the direct link through alternative persuasive evidence. The sufficiency and the persuasiveness of the alternative evidence provided, as well as the audit trail, will be assessed against the International Standards on Auditing.

Example 1 (Link between research infrastructure and action(s)):

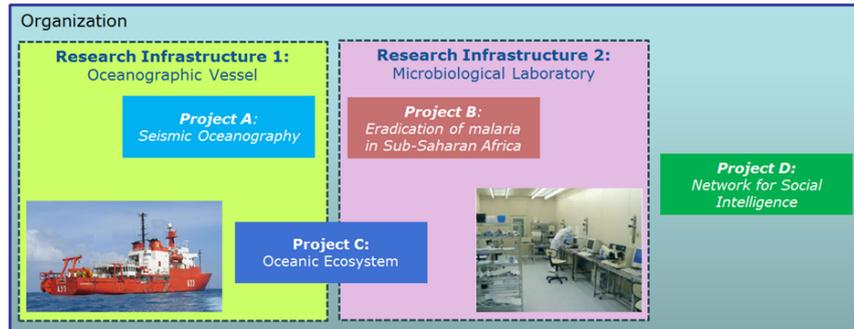
A beneficiary involved in different research areas owns several research infrastructures: an oceanographic vessel and a laboratory for microbiological analysis.

Costs relating to the oceanographic vessel cannot be claimed as direct costs for an action for which it is not used (e.g. an action on eradicating malaria in Africa or on setting up a network for social intelligence).

Part of the **costs of the vessel** can however be claimed where the vessel is used for an action (e.g. an action on seismic oceanography or on the oceanic ecosystem), provided the beneficiary demonstrates the extent of use (e.g. through a board-book).

Similarly, part of the **laboratory costs** can be claimed for an action on eradicating malaria in Africa or on the oceanic ecosystem, provided the beneficiary demonstrates the extent to which the laboratory is used for the action.

The costs of the two research infrastructures cannot be charged to the action on setting up the network for social intelligence.



4.3 Costs must not be included as direct costs in any other category

Costs may not be declared twice (see Article 6.5)¹².

Thus:

- any (part of a) cost item that has been capitalised and recorded as an asset is *de facto* included in the depreciation costs of the infrastructure and cannot be declared in another cost category (e.g. if the capitalised costs of installing a large telescope are depreciated, they cannot be declared as operating costs);
- (part of) the costs of an infrastructure that have already been declared in respect of another EU or Euratom grant (including grants awarded by a Member State, or by bodies other than the Commission for the purpose of implementing the EU or Euratom budget) cannot be declared again (e.g. costs already declared in an FP7 action to set up or renew an infrastructure; costs already declared in an action under the Research Infrastructures Part of Horizon 2020 (i.e. providing of trans-national access to research infrastructure; see Article 16); costs already declared in a grant co-financed by the Structural Funds or the ESIF Funds).

⚠ This means that a *cost item already declared* under a Structural Funds or ESIF grant cannot be declared again under the Horizon 2020 grant. However, *cost items that have not already been declared* under a Structural Funds or ESIF grant, may be declared under the Horizon 2020 grant, even if they belong to the same action ('synergies between Horizon 2020 and the Structural Funds and ESIF Funds').

⚠ The terminology under the different regimes — Horizon 2020, the Structural Funds and the ESIF Funds — may differ (e.g. 'capitalised costs' under Horizon 2020 versus 'investment costs' under the Structural Funds, etc.).

¹² See Article 129(1) of the Financial Regulation.

4.4 Costs must be directly measured

Costs can be claimed as direct costs under Point D.4 of Article 6.2 only if they are ‘**directly measured**’ (i.e. directly quantified by a monetary value assigned to a given cost item, or a share of it). The measurement system used by the beneficiary must accurately quantify the cost (i.e. reflect its actual true value), be supported by sufficient persuasive evidence and be auditable.

This is considered to be the case if the unit of measurement (generally obtained from the supplier’s invoice) is that used to measure the direct consumption of the item.

This measurement must be accurate (i.e. show the *real* consumption and/or use of a cost item on the action), therefore only actual elements of cost and consumption or use are accepted.

⚠ Direct measurement of costs does not mean fair apportionment of costs through proxies or cost drivers (which was standard for declaring real indirect costs under FP7). Fair apportionment is not a *measurement* but an attempt to *estimate* the costs that were incurred for an action.

Example 2 (Comparison between fair apportionment and direct measurement):

Under the fair apportionment method, the general electricity costs of a beneficiary operating a laboratory used for an action are allocated to the pool of indirect cost and then apportioned fairly via an absorption method (e.g. m²).

Under the direct measurement method, the cost is claimed as direct cost; however the beneficiary must ensure that the electricity invoice specifies the electricity costs for the research infrastructure (explicitly labelled invoice or separate invoice). Moreover, the cost must then be measured with respect to the actual time of use of the research infrastructure for the action.



⚠ *Direct* measurement implies that a cost cannot be attributed to projects via an allocation key, a cost driver or a proxy.

While accurate measurement systems may differ depending on the nature of the cost, they will normally involve time actually used for the action (‘project time’) and therefore require reliable time-recording (through timesheets, logbooks, counters, etc.). The measurement system must be justifiable through sufficient persuasive evidence and auditable.

Project time must correspond:

- for the costs of administrative and support staff directly assigned to the functioning of the research infrastructure: to the number of hours actually worked for the action, measured

and documented in accordance with Article 31 of the Rules for Participation Regulation No **XXX/2013**;

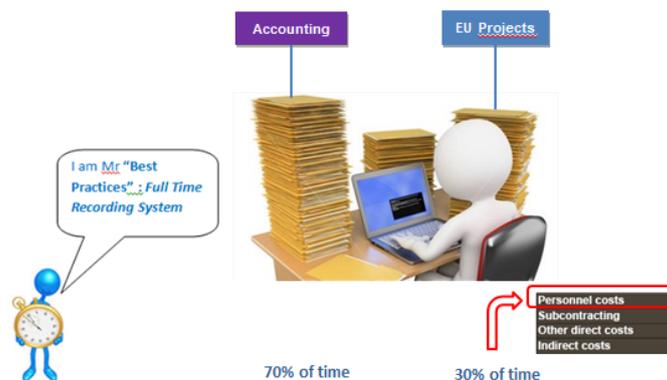
- for the other costs of the research infrastructure: to the number of hours/days/months of actual use of the research infrastructure for the action as a part of full capacity (i.e. the number of productive hours/days/months corresponding to the full potential use of the infrastructure).

This includes any time during which the research infrastructure is usable but not used, but take due account of real constraints such as the opening hours of the entity, repair and maintenance time (including calibrating and testing) due to research activities.

⚠ If a cost can be directly measured to the research infrastructure but — because of technical constraints — cannot be measured directly to the action, beneficiaries may measure costs by means of ‘**units of actual usage**’ for the action, supported by accurate technical specifications and actual data and determined on the basis of the beneficiary’s analytical cost accounting system. These data must be regularly updated.

Example 3 (Costs of administrative and support staff directly assigned to the functioning of the research infrastructure):

If an employee of the administration and finance department is employed to carry out specific tasks necessary for the operation of a research infrastructure specifically used for an action (e.g. assigning time-slots between users, monitoring actual use, managing security contracts), the personnel costs can be declared as direct costs of the action, in proportion to the time the employee actually spent on the action and provided that this is recorded reliably.



Example 4 (Part-time use of the research infrastructure for the action):



An oceanographic vessel is used full-time for a period of two months for an EU- funded action and three months for a non-EU research project (or for a non-research activity (commercial, industrial, etc.) of the beneficiary) and stays idle for seven months.

If the annual costs of the vessel (i.e. capitalised and operating costs) amount to EUR 120 000, the part that can be charged to the EU funded action is:

$$(EUR\ 120\ 000 / 12\ months) \times 2\ months = EUR\ 20\ 000$$

and not:

$$(EUR\ 120\ 000 / 5\ months^{13}) \times 2\ months = EUR\ 48\ 000$$

Renting or leasing costs can be directly measured to an action as follows:

Example 5 (Rental/leasing costs):

The surface area of the premises rented/leased by a beneficiary is occupied as follows:

- * 50% by a research infrastructure;
- * 50% by conference rooms and offices.

The overall rental/leasing costs are EUR 100 000 per year, split (according to the rental/leasing agreement) as follows:

- * EUR 80 000 for the research infrastructure;
- * EUR 20 000 for the conference rooms and offices.

The rental costs that can be claimed as direct costs for an action using this research infrastructure are determined as follows:

Step 1 Calculation of the rental costs that can be directly attributed to the research infrastructure

 On the basis of the rental/leasing agreement, the invoice must refer to separate amounts for the research infrastructure and the conference rooms/offices (the rental/leasing costs cannot be directly allocated on the basis of the respective surface areas).

 The basis for the calculation must be EUR 80 000 and not EUR 50 000 (EUR 100 000 x 50% of m²).

Step 2 The rental/leasing amount invoiced for the research infrastructure (i.e. EUR 80 000) is precisely distributed between the activity(ies) and project(s) that make use of it (best practice: time of actual use). Installed usage capacity is taken (so as not to exclude idle time) and the resulting cost per unit of usage is multiplied by actual usage on the action (which thus absorbs its share of the overall renting/leasing cost).

Best practices for direct measurement:

- Depreciation (for capitalised costs): accounting statements accompanied by the beneficiary's depreciation policy (under its usual accounting principles), to show adequate calculation of the potential use of the asset (total productive time based on full capacity) + calculation of the useful economic life of the asset, evidence of project time (or units of actual usage for the action) and evidence of the actual use of the asset for the action;
- Rental or lease of the research infrastructure: specific explicitly labelled rental or lease invoice/contract; adequate calculation of the potential use of the asset (total productive time based on full capacity) + calculation of the useful economic life of the asset,

¹³ 5 months = 2 months for an EU funded action + 3 months for non-EU research or other activities.

evidence of project time (or units of actual usage for the action) and evidence of the actual use of the asset for the action;

- Personnel (administrative and support staff): time recording (without prejudice to the need for persuasive evidence of actual involvement in the action);
- Maintenance and repair (including calibrating and testing): specific explicitly labelled invoice relating to the research infrastructure + project time (or units of actual usage for the action);
- Consumables, materials and spare parts: specific explicitly labelled invoice relating to the research infrastructure, if available, or stocktaking; actual consumption for the action (based on analytical cost accounting) or project time (or units of actual usage for the action);
- Facilities management, including security fees, insurance costs, quality control and certification, upgrading to national and/or EU quality, safety or security standards: specific explicitly labelled invoice relating to the research infrastructure + project time (or units of actual usage for the action);
- Energy and water: specific explicitly labelled invoice relating to the research infrastructure + project time (or units of actual usage for the action).

 The energy consumption of a specific research infrastructure can be obtained from the measured consumption (e.g. number of kilowatts per hour of use) as stated in its technical specifications, or provided by the supplier or an independent body. These specifications must be identifiable and verifiable.

 **Alternative to best practices:** The beneficiaries may determine eligible direct costs on the basis of an aggregate of the capitalised and operating direct costs of each research infrastructure.

This option corresponds to the declaration of eligible costs actually incurred; it should not be confused with using ‘unit cost’ as a simplified form of grant which is subject to a Commission decision (see Articles 29(2) and 33 of the Rules for participation Regulation No **XXX/2013** and Article 124 of the Financial Regulation).

With this method, it is possible to determine a ‘cost per unit of use’ covering all the actual direct costs relating to the operation of the research infrastructure being used for the action, i.e. depreciation costs plus necessary operating costs of the research infrastructure.

The **cost per unit of use** must be calculated as follows:

$$\frac{\{\text{all capitalised costs of the research infrastructure}\} + \{\text{all operating costs of the research infrastructure}\}}{\{\text{total annual capacity}\}}$$

The unit of use must correspond to:

- (i) the time of use expressed in hours, days or months and supported by evidence; or
- (ii) the number of accesses, for which supporting evidence may take the form of records or electronic log of units-of-access provision.

The calculation must take due account of real constraints (e.g. opening hours), but must reflect the research infrastructure's full capacity and include any time during which the research infrastructure is usable but not used or any unit of access available but not used.

The direct costs that can be claimed are calculated as follows:

{actual eligible costs per unit of use} x {actual number of units of use used on the action}.

The calculation must be verifiable, i.e. allow for a sufficient audit trail reconciling it to the beneficiary's statutory accounts.

E. Indirect costs *[(not included in Point F)]*

Indirect costs are eligible if they are declared on the basis of the flat-rate of 25% of the eligible direct costs (see Article 5.2 and Points A to D above), from which are excluded:

- (a) costs of subcontracting *[and];;*
- (b) costs of in-kind contributions provided by third parties which are not used on the beneficiary's premises *[and];;*
- (c) *[OPTION to be used if Article 15 applies: costs of providing financial support to third parties][OPTION: not applicable][and*
- (d) *OPTION if Point F applies and the unit or lump sum cost includes indirect costs: [unit costs under Article 5.2(f) and Point F below)][lump sum costs under Article 5.2(f) and Point F below]].*

Beneficiaries receiving an operating grant¹⁸ financed by the EU or Euratom budget cannot declare indirect costs for the period covered by the operating grant.

¹⁸ For the definition, see Article 121(1)(b) of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 218, 26.10.2012, p.1) ('**Financial Regulation No 966/2012**): 'operating grant' means direct financial contribution, by way of donation, from the budget in order to finance the functioning of a body which pursues an aim of general EU interest or has an objective forming part of and supporting an EU policy.

1. Types of costs and conditions for eligibility

Indirect costs are eligible, if they are declared by applying a 25 % flat rate to the beneficiary's eligible direct costs, minus:

- subcontracting costs (see Article 13).

Example: subcontracting of opinion surveys.

 The purchase of goods, work or services that do not represent action tasks described in Annex 1 (see Article 10) is not considered subcontracting under a Horizon 2020 action, and must not be subtracted when calculating the 25 % flat rate;

- costs of in-kind contributions incurred by third parties outside of the beneficiary's premises;
- costs of providing financial support to third parties, if this option is included in the GA;
- unit or lump-sum costs covering specific categories of costs which include indirect costs.

Indirect costs are covered and must be declared under the form of the flat-rate (see Article 5.2(e)).

What? Indirect costs are costs that are not directly linked to the action (see Article 6.2).

Example (indirect costs):

A public university is a beneficiary under a grant agreement and has incurred the following costs

- EUR 100 000 in personnel costs (EUR 7 000 of which are an in-kind contribution made by a laboratory technician carrying out work for the action from his/her laboratory in a public research centre),
- EUR 20 000 in subcontracting costs,
- EUR 10 000 in consumables costs.

Eligible direct costs: $100\,000 + 20\,000 + 10\,000 = \text{EUR } 130\,000$

Eligible indirect costs: $25\% \text{ of } (100\,000 - 7\,000 + 10\,000) = \text{EUR } 25\,750$

Total eligible costs: EUR 155 750

[F. OPTION for specific categories of costs if unit costs foreseen by Commission decision: Costs of [insert cost category(ies) or activity(ies)]

Costs of [insert cost category or activity]:

- (a) declared as **unit costs**: are eligible if they correspond to the amount per unit set out in Annex 2 multiplied by the number of actual units, and if [insert eligibility conditions];
- (b) [declared as **actual costs**: are eligible, if they comply with the conditions set out above (Points A to [D][E]) [and if [insert eligibility conditions];]
- (c) [declared as a **combination of the two**: if the part declared as actual costs fulfils the conditions for actual costs and the part declared as unit costs fulfils the conditions for unit costs].

[same for each specific category of costs]

[OPTION for specific lump sum costs (i.e. costs which may be/have to be declared as lump sum costs) if foreseen by Article 5.2(f): Costs of [insert cost category or activity] are eligible if they correspond to the lump sum set out in Annex 2 and the corresponding tasks or parts of the action have been properly implemented in accordance with Annex 1.]

1. Types of costs and conditions for eligibility

Under this option, beneficiaries may currently declare the following costs as specific costs:

- **costs of additional energy efficiency measures** (as provided for by Commission Decision C(2013) 8196¹⁴);
- **costs of providing transnational access to research infrastructures** (as provided for by Commission Decision C(2013) 8199¹⁵).

⚠ If this option 5.2.(f) is used in a GA, the costs covered by this option may not be declared under any other budget category. They have to be excluded from the calculation of the other direct and indirect costs of the beneficiary (declared under the budget categories 5.2(a) to (e)).

Example:

¹⁴ Commission Decision C(2013) 8196 of 10 December 2013 authorising the use of reimbursement on the basis of unit costs for energy efficiency measures in buildings under the Energy Challenge actions of the Horizon 2020 Framework Programme

¹⁵ Commission Decision C(2013) 8199 of 10 December 2013 authorising the use of reimbursement on the basis of unit costs for actions involving trans-national access under the Research Infrastructures Part of the Horizon 2020 Framework Programme.

A is a beneficiary in an action with a specific activity on 'intelligent buildings', where a Commission decision setting unit costs has been adopted in order to cover the costs of purchasing and operating (personnel + related indirect costs (overheads)) the equipment needed for the action.

The situation of A is the following:

A has 3 employees operating the equipment in that specific activity on 'intelligent buildings', and another 2 working on other activities of the action. The personnel costs for the 3 employees operating the equipment are EUR 150 000, and the personnel costs of the other 2 employees are EUR 80 000.

A incurs other direct costs for the action worth EUR 250 000, out of which EUR 100 000 are the costs of purchasing the equipment needed for carrying out the activity on 'intelligent buildings'.

A declares as actual costs the personnel costs for the employees working on the activities other than the specific activity on 'intelligent buildings', as well as the other direct costs of those activities (not included in the unit costs).

The unit cost adopted by Commission decision is EUR 800. The number of units used for the project is 300.

Both the personnel costs and the purchasing costs included in the unit costs (150 000 +100 000) and the indirect costs associated to them must be excluded from the calculation of the actual costs of the beneficiary declared under the budget categories 'direct personnel costs' and 'other direct costs' and 'indirect costs'.

A will declare its costs in the financial statement (Annex 4):

Direct personnel costs	Direct costs of subcontracting	Direct costs of support to third parties	Other direct costs (EUR)	Indirect costs	Costs of 'intelligent buildings' (special unit costs)	Total costs
80 000	0	0	150 000	67 500 = 25% (150 000 + 80 000)	300x800= 240 000	537 500

Costs of additional energy efficiency measures

Costs of additional energy efficiency measures must be declared on the basis of unit costs.

These costs are eligible, if all of the following apply:

- they **fulfil** the **general conditions** for unit costs to be eligible (i.e. units used during the action duration, necessary, linked to the action, etc.; see Article 6.1(b));
- they correspond to the amount per unit (EUR/m² of eligible conditioned gross floor area (excluding parts of the buildings which are not affected by the measures, e.g. *garages*)) set out in Annex 2 multiplied by the number of **actual m² of surface area built or refurbished**;

The amount per unit is based on the calculation set out in Commission Decision C(2013) XXX:

{standard cost in EUR to save 1 kWh * estimated total kWh saved per m² per year * standard payback period in years}

with:

the 'standard cost to save 1 kWh' being EUR 0.1

the 'standard payback period' to be used being 10 years

Example (calculation):

Assuming that the refurbishment of a building results in energy savings of 100 kWh/m²/year
 Payback period (standard figure to be used in the calculation) = 10 years
 Standard cost in euro to save 1 kWh (standard figure to be used in the calculation) = 0,1€/kWh

The formula gives:

$$\{ \text{standard cost in euro to save 1 kWh} * \text{estimated total kWh saved per m}^2 \text{ per year} * \text{standard payback period in years} \} =$$

$$0.1\text{€/kWh} * 100\text{kWh/m}^2/\text{year} * 10 \text{ years} = 100\text{€/m}^2$$

After application of the 70% funding rate for innovation actions, it will give an indicative EU contribution of 70€/m².

⚠ Applicants for Horizon 2020 funding may submit a proposal requesting funding for a number of kWh saved per m² per year lower than the estimated one. But this will not be evaluated as an advantage against other proposals.

- they are incurred for **additional energy efficiency measures in buildings** that go beyond the national regulation or, if there is no national regulation applicable, beyond the market practice (*e.g. for refurbishment of buildings*).

⚠ This category of unit costs will only apply for Smart Cities and Communities Calls (*e.g. SCC-1 2014/2015 of the Energy Work Programme 2014-2015*).

How? Beneficiaries submit **specifications per type of demonstration building in the project proposal** by completing the BEST table (Building Energy Specification Table) http://ec.europa.eu/research/participants/data/ref/h2020/grants_manual/amga/h2020-best_en.xls. These specifications per type of demonstration building are set out in Annex 1.

In Smart Cities and Communities buildings, the grant is always composed of a combination of different forms of grants as defined in Articles 5 and 6 of the GA. The reimbursement on the basis of unit costs only applies for the building-related demonstration activities part of the building.

What? Two categories of eligible costs are covered:

- costs of purchasing equipment, infrastructures and other assets directly necessary for the demonstration of additional energy efficiency measures in buildings and
- costs of subcontracting the works necessary for the demonstration of additional energy efficiency measures in buildings.

Examples: the costs of building elements as new isolation, new ventilation system, window, door, heating elements, system controlling the system will be reimbursed.

What not? Fluids and indirect costs are not eligible.

Costs of providing trans-national access to research infrastructure

Costs of providing trans-national access to research infrastructure can be declared as one of the following:

- as actual costs;
- on the basis of a unit cost , or

- on the basis of a combination of actual cost and unit cost, if a part of the eligible access costs (in particular, costs for the specific support to users) varies significantly between users.

Only one of the three forms may be used per installation (i.e. per part or service of a research infrastructure that could be used independently from the rest). A research infrastructure consists of one or more installations. No alternative use is allowed for one installation.

These costs are eligible, if all of the following apply:

- they **fulfil the general conditions** for costs to be eligible (i.e. incurred/used during the action duration, necessary, linked to the action, etc.; see Article 6.1(a) and (b));
- they are incurred for **providing trans-national access to research infrastructure** to scientific communities;
- the **additional specific eligibility conditions** set out in Article 16 are fulfilled;
- for actual costs: they comply with the conditions set out above (see Article 6.2.A to 6.2.E)
- for unit costs: they correspond to the amount per unit (EUR/unit of access) set out in Annex 2 multiplied by the number of **actual units of access provided**, and

The amount per unit is based on the calculation set out in Commission Decision C(2013) 8199:

the unit cost is defined on the basis of the average over the last two years of the annual total access costs to the installation, for the categories covered by the unit cost, divided by the average over the last two years of the total quantity of access to the installation annually provided, as follows:

$$\text{Unit cost} = \frac{\text{average annual total access costs to the installation}}{\text{average total quantity of access to the installation annually provided}}$$

The average amounts must be based on certified or auditable historical data of the beneficiary over the last 2 years (years N-1 and N-2) for the concerned installation, according to the beneficiary's usual cost accounting practices. The average over the last two years of the access costs and quantity of access to the installation does not include periods where the installation was not usable because it was out of order or under repair or maintenance.

The 'total quantity of access to the installation' includes all the units of access annually provided by the installation, included access financed by the EU under previous grant agreements, if any.

The 'annual total access costs to the installation' shall be calculated on the basis of the following categories of eligible costs:

- the direct costs incurred by the access provider for the provision of the 'annual total quantity of access to the installation', as recorded in the certified or auditable profit and loss accounts of the reference period (years N-1 and N-2) for the following categories of direct costs:
 - personnel cost of administrative, technical and scientific staff directly assigned to the functioning of the installation and to the support of the users. By way of exception, the direct personnel costs

- to be used may be those calculated by the beneficiary in accordance with its usual cost accounting practices,
- costs of contracts for maintenance and repair (including specific cleaning, calibrating and testing) specifically awarded for the functioning of the installation (if not capitalised),
 - costs of consumables specifically used for the installation and the research work of the users,
 - costs of contracts for installation management, including security fees, insurance costs, quality control and certification, upgrading to national and/or EU quality, safety or security standards (if not capitalised) specifically incurred for the functioning of the installation,
 - costs of energy power and water supplied for the installation,
 - costs of general services when they are specifically included in the provided access services (library costs, shipping costs),
 - costs of software licence, internet connection or other electronic services for data management and computing when they are needed to provide access services,
 - costs of specific scientific services included in the access provided or needed for the provision of access,
 - the eligible indirect costs for providing access to the installation, equal to 25% of the identified direct costs, minus any costs of subcontracting (i.e. costs in the categories ‘costs of contracts for maintenance and repair’, ‘costs of contracts for installation management’, ‘costs of scientific services’ and ‘cost for other electronic services’).

and excluding:

- all contributions to the capital investments of the installation (including costs of renting or leasing or depreciation costs of buildings as well as depreciation and leasing of instrumentation). Those costs are not eligible (see also Article 6.2.D.2),
- travel and subsistence costs to support the visits of users.

 The costs of travel and subsistence related to visits of the users selected for support under the action can however be reimbursed under the budget category ‘other direct costs’ (see Article 6.2.D.1).

 A specific form for the calculation of unit cost will be provided on the relevant Research Infrastructures call pages.

 In exceptional and duly justified cases, the Commission/Agency may agree to use a different reference period than the last 2 years.

Example (calculation):

Assuming that a telescope provided 6 100 hours of access in year N-1 and 5900 hours of access in year N-2 and that the total access costs (for the provision of these total quantities of access) in the two years calculated on the basis of the categories of costs indicated above (with the exclusion of any contribution to capital investment and of travel and subsistence costs of users) is respectively EUR 3 200 000 and EUR 2 800.000, then the unit cost is

Average costs = average (3 200 000, 2 800 000) = 3 000 000

Average hours = average (6100, 5900) = 6000

Unit cost = average (3 200 000, 2 800 000) / average (6100, 5900) = 3 000 000 / 6000 = 500 €

Access providers are allowed to submit a proposal with a unit cost calculated on the basis of average costs lower than their historical costs.

 Applicants for Horizon 2020 funding must describe the services provided to users as well as the support users need to make use of the installation: logistical, technological and scientific, including ad-hoc training needed by users and preparatory and closing activities that may be necessary to use the installation;

- for a combination of actual and unit costs: the part declared as actual costs fulfils the conditions for actual costs and the part declared as unit costs fulfils the conditions for unit costs.

 This budget category will only apply to the Calls H2020-INFRADEV-2014/2015 (topic 3 and 4) and H2020-INFRAIA-2014/2015 of the ‘Research Infrastructures’ Work Programme 2014-2015.

What? The access costs for the provision of trans-national access to an installation defined as the costs incurred by the access provider for the provision of access to an installation. Access Costs cover the running costs of the installation and the costs for logistical, technological and scientific support to users’ access, including costs for ad-hoc training needed by users to use the installation and for preparatory and closing activities that may be necessary to carry out user’s work on the installation.

What not? Travel and subsistence costs incurred for supporting the visits of the selected users to have access to the installation are not included in the access costs.

6.3 Conditions for **costs of linked third parties** to be eligible

*[OPTION to be used if Article 14 applies: Costs incurred by linked third parties are eligible if they fulfil — **mutatis mutandis** — the general and specific conditions for eligibility set out in this Article (Article 6.1 and 6.2) and Article 14.]*

[OPTION: not applicable]

1. Types of costs and conditions for eligibility

The costs of linked third parties may be eligible, if:

- they **fulfil** the **general conditions** and **specific conditions** for costs to be eligible (see Article 6.1 and 6.2) and
- the **additional specific eligibility conditions** set out in Article 14 are fulfilled.

2. Mutatis mutandis

‘Mutatis mutandis’ means with the necessary modifications; the same rules apply but with the changes needed to render them applicable to the linked third parties.

Examples:

‘Incurred by the beneficiary’ should be read as ‘incurred by the linked third party’.

‘On the beneficiary’s payroll’ should be read as ‘on the linked third party’s payroll’.

6.4 Conditions for **in-kind contributions provided by third parties free of charge** to be eligible

In-kind contributions provided free of charge are eligible direct costs (for the beneficiary [*or linked third party*]), if the costs incurred by the third party fulfil — *mutatis mutandis* — the general and specific conditions for eligibility set out in this Article (Article 6.1 and 6.2) and Article 12.

1. Types of costs and conditions for eligibility

Contributions provided by third parties free of charge are eligible if:

- they **fulfil** the **general conditions** and **specific conditions** for costs to be eligible (see Article 6.1 and 6.2) and
- the **additional specific eligibility conditions** set out in Article 12 are fulfilled.

6.5 Ineligible costs

‘**Ineligible costs**’ are:

- (a) costs that do not comply with the conditions set out above (Article 6.1 to 6.4), in particular:
- (i) costs related to return on capital;
 - (ii) debt and debt service charges;
 - (iii) provisions for future losses or debts;
 - (iv) interest owed;
 - (v) doubtful debts;
 - (vi) currency exchange losses;
 - (vii) bank costs charged by the beneficiary’s bank for transfers from the *[Commission][Agency]*;
 - (viii) excessive or reckless expenditure;
 - (ix) deductible VAT;
 - (x) costs incurred during suspension of the implementation of the action (see Article 49);
- (b) costs declared under another EU or Euratom grant (including grants awarded by a Member State and financed by the EU or Euratom budget and grants awarded by bodies other than the *[Commission][Agency]* for the purpose of implementing the EU or Euratom budget); in particular, indirect costs if the beneficiary is already receiving an operating grant financed by the EU or Euratom budget in the same period.

1. Ineligible costs

In general, ineligible costs are those costs that do not meet the general and specific eligibility criteria set out in Articles 6.1 to 6.4.

Examples:

Additional remuneration (‘bonuses’) paid by for-profit or non-profit entities that do not fulfil the conditions set out in Article 6.2,

Subcontracting costs that do not comply with the terms of Article 13.

What? Article 6.5 specifies certain types of ineligible costs, including:

Costs related to return on capital or return generated by an investment.

Examples:

Dividends paid as remuneration for investing in the action,

Remuneration paid as a share in the company's equity.

Debt and debt service charges: debt service is the amount paid on a loan in principal and interest, over a period of time

Example: *If a beneficiary takes a loan used to acquire equipment or consumables for the project of EUR 100 000 at 9 percent interest for 10 years, the debt service for the first year (principal and interest) is EUR 15 582*

Provisions for future losses or debts — a provision is an amount set aside in an organisation's accounts to cover for a known liability of uncertain timing or amount. This includes allowances for doubtful or bad debts.

Interest owed — Interest on a loan to borrow capital

Excessive or reckless expenditure — Excessive must be understood as paying significantly more for products, services or personnel than the prevailing market rates or the usual practices of the beneficiary, resulting in an avoidable financial loss to the action. Reckless means failing to exercise care in the selection of products, services or personnel resulting in an avoidable financial loss to the action.

Currency exchange losses: for beneficiaries using currencies other than euros or being invoiced in a currency other than the currency they use any loss due to exchange rate fluctuations (*e.g. between the date of invoicing and the date of payment*) is not eligible.

Bank costs charged by the beneficiary's bank for transfers from the Commission/Agency.

Deductible VAT — deductible VAT is not a genuine and definitive cost and, according to accounting standards, should not be recorded as such. Therefore, it is neither actually incurred by the beneficiary nor identifiable and verifiable.

Deductible VAT should be recorded in separate payable or receivable accounts, not affecting revenue or cost line items. VAT that is paid to suppliers and is deductible is a claim against the tax authority which will reimburse it, therefore it is recorded in the 'assets' part of the balance sheet. VAT collected on sales is a debt towards the tax authority and is recorded in the 'liabilities' part of the balance sheet. In other terms, where VAT is deductible, the accounts are presented exclusive of VAT.

This means that VAT paid on goods or services by a beneficiary that can recover it under national VAT legislation should not be recorded as expenditure in the profit and loss accounts (only the purchase price excluding VAT should be recorded). Similarly, for the value of purchased equipment or assets, only the net purchase cost should be recorded in the balance sheet's fixed asset line, and the depreciation cost should be calculated based on this value, excluding VAT.

Conversely, if VAT is not deductible it is in principle an eligible cost. The full price of the goods or services bought by the beneficiary is recorded as expenditure in its profit and loss accounts, without any distinction between the net price and the amount of VAT charged on it. The full price of equipment and assets bought is then recorded in the balance sheet's fixed asset line and is the basis for the depreciation allowances recorded in the profit and loss accounts.

 In exceptional cases where the beneficiary cannot identify VAT charged by the supplier (*e.g. small non-EU invoices*), the full purchase price should be recorded in the accounts, since non-identifiable VAT is not deductible. VAT would thus be eligible (in any case).

Costs incurred during the suspension of the implementation of the action

Example: Action is suspended and one of the beneficiaries continues working on it after the date of the suspension

Costs declared under another EU or Euratom grant, to avoid double funding. This includes:

- costs funded directly by EU programmes managed by the Commission or Executive Agencies (*e.g. other Horizon 2020 grants*);
- costs managed/funded/awarded by Member States but co-funded with EU/Euratom funds (*e.g. European Structural and Investment Funds*);
- costs for grants awarded/funded/managed by other EU, international or national bodies and co-funded with EU/Euratom funds (*e.g. Joint Undertakings, Article 185 TFEU bodies*);
- if a beneficiary is receiving an operating grant from the EU/Euratom (i.e. a grant to finance its functioning), then the indirect costs of that beneficiary are not eligible and the 25% flat-rate should not be applied.

Examples (operating grants): Grants awarded to support the running costs of certain institutions pursuing an aim of European interest, such as: College of Europe, European Standards bodies (CEN, CENELEC, ETSI).

6.6 Consequences of declaration of ineligible costs

Declared costs that are ineligible will be rejected (see Article 42).

This may also lead to any of the other measures described in Chapter 6.

The other measures specified in Chapter 6 (*e.g. reduction of the grant*) may be applied in addition to the ineligible costs being rejected.