



The EU Framework Programme
for Research and Innovation

HORIZON 2020



Guide on beneficiary registration, validation and financial viability check

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History of changes

Version	Date	Change	Page
1.1	28.07.2015	<ul style="list-style-type: none">▪ Hyperlink for the legal entity identification form was updated according to the type of legal entity and language versions	7

III.4.1 Beneficiary Registration

Summary

This section explains how you can:

- register in the Beneficiary Register
- view and update your data in the Beneficiary Register

Key points


- You only have to register **once**, in the [Beneficiary Register](#) of the Participant Portal.
- If you were already registered for FP7 you do not need to register again.
- You can at all times access and change your data in the [Beneficiary Register](#).

1. Registering in the Beneficiary Register

Before submitting your proposal you must **register** in the '[Beneficiary Register](#)'¹ of the Participant Portal (*in particular, name, address, legal representatives, legal form and organisation type*).

 If you are already registered for FP7 you do not have to register again.

At the moment of the registration, you will receive a temporary (non-validated) '**Participant Identification Code (PIC)**'. The temporary PIC becomes final once you are validated (*see section [III.4.2](#)*).

 Whenever you use the Participant Portal, you must quote the PIC assigned to you by the system during the registration process. This is to avoid the risk that you unintentionally register more than once.

2. Viewing your data in the Beneficiary Register

You can check your basic legal and financial data at any time.

3. Data updates

Your LEAR (*see sections [III.3](#) and [III.4.2](#)*) must keep information stored in the Beneficiary Register up to date (and make any changes necessary).²

The Validation Services will automatically be alerted of the changes your LEAR makes in the Beneficiary Register and, if necessary, contact the LEAR for supporting documents.

¹ Available at <http://ec.europa.eu/research/participants/portal/desktop/en/organisations/register.html>

² See Article 17.2 of the General MGA.

III.4.2 Validation

Rules:

- ✗ Art 131(2,3) FR
- ✗ Art 63,198 RAP

Summary

This section explains how and why the Commission/Agency:

- checks your legal existence and Horizon 2020 status(es)

Key points

- You will be validated only once

If you were already validated for FP7, you will normally not be validated again (except for the SME status, which must be based on data no older than 2 years).

- You have to provide your **basic administrative and legal data** (such as your legal name, legal address, etc.) when registering in the [Beneficiary Register](#) of the Participant Portal.

Later on, you will be requested to provide **supporting documents** proving that you belong to one or more of the following Horizon 2020 categories: ‘natural person’, private or public body’, ‘non-profit organisation’, ‘secondary or higher education establishment’, ‘international organisation’ or ‘international organisation of European interest’.

The status ‘research organisation’ validation is based on a **self-declaration**.

The ‘SME’ status validation is based on a self-declaration through a **web-based questionnaire** in the Beneficiary Register (that will either confirm or reject your SME status). You may request the Validation Services to confirm or review this status, if you would like to participate in calls for which the SME status is an eligibility criterion.

If you make **false declarations** or provide **manipulated information**, the Commission may:

- withdraw and correct your validated status
 - terminate your on-going grants (and recover any amounts undue)
 - impose financial or administrative penalties, including excluding you from future EU/Euratom grants
 - inform the European Anti-Fraud Office (OLAF).
- Throughout the validation process you will be contacted by the Validation Services if information or documents are required.

To contact the Validation Services, please use the ‘Messages’ function in the [Beneficiary Register](#).

- After validation, you will be requested to nominate your Legal Entity Appointed Representative (LEAR) (*see also section III.3*).
- You can monitor your legal data in the [Beneficiary Register](#).

1. Validation

The validation process starts once the registration process is completed AND once your first Horizon 2020 proposal has been successfully evaluated (i.e. is on a ranking list *see section IV.2*).

During the validation, the Validation Services will verify:

- whether you qualify as a legal entity and
- if applicable, the Horizon 2020 status you registered.

Both verifications are based on supporting documents you will need to provide (see point 3).

2. Validation criteria

2.1 Legal entity

As a general principle only **legal entities** are eligible for Horizon 2020 grants.

Definition:

- ❖ ‘**Legal entity**’ means any natural or legal person created and recognised as such under national law or international law, that has legal personality and that may, acting in its own name, exercise rights and be subject to obligations.

⚠ If your organisation does **not** have **legal personality**, you may nevertheless be eligible to apply for a Horizon 2020 grant (as ‘entity without legal personality’), if you can prove that your organisation:

- has representatives who have the capacity to undertake legal obligations on its behalf and
- can offer guarantees for protecting the EU’s financial interests equivalent to those offered by legal persons (i.e. it has the same financial and operational capacity than that of a legal person with legal personality).³

Therefore, if your organisation is associated to a legal entity, does not have an independent legal personality and does not meet the above cited criteria, you must use the PIC issued to the legal entity to which you are associated.

Exceptions:

The following entities may get their own PIC without having independent legal personality.

- ministries or other (central, regional or local) executive services that are part of the public administration and are directly linked to the government
- specialised agencies set up by international organisations

³ See Article 131(2) of the Financial Regulation No 966/2012 and Article 198 of the Rules of Application Regulation No 1268/2012.

- the Joint Research Centre and its directorates.

2.2 Horizon 2020 statuses

2.2.1 Importance of your Horizon 2020 status

The Horizon 2020 Regulations (as well as, in certain cases, the [Work Programme/call for proposals](#)) refer to different categories of legal entities.

Your entity may therefore have different rights and obligations, depending on the status you belong to, notably:

- rights to participate under certain calls for proposals (*e.g. SME instrument*)
- rights regarding the maximum level of EU/Euratom funding
- whether you may be exempted from a financial viability check (if you apply as the coordinator or if there are grounds to doubt your financial viability)
- whether a competent public officer is allowed to certify your financial statement(s)
- whether your linked third parties will be requested by the Commission/Agency to accept joint and several financial responsibility.

2.2.2 The different Horizon 2020 statuses

The different Horizon 2020 statuses are:


- private or public body
- non-profit organisation
- research organisation
- secondary or higher education establishment
- small or medium sized enterprise (SME)
- international organisation
- international organisation of European interest.

Figure 1: Horizon 2020 statuses

LEGAL ENTITY				
Natural Person	Legal Person			
	Public		Private	
	Profit	Non Profit	Profit	Non Profit
	Secondary and Higher E.E	Secondary and Higher E.E	Secondary and Higher E.E	Secondary and Higher E.E
			SME	SME
		Research ORG		Research ORG
		International ORG		
		International ORG of EU interest		

As a general rule, a legal entity may be categorised in **more than one status** (e.g. *non-profit public body*). For the participation in Horizon 2020, the most favourable status will be considered (in order to determine the rights and/or obligations).

If you **change** your legal status and the change leads to the loss of certain advantages, you will retain the advantages for the whole duration of the already signed grants. For grant agreements signed after the change, the new status will be applied.

 If, however, the status granted was based on false declarations or manipulated intentionally with the sole purpose of obtaining the Horizon 2020 grant, the change will be applied retroactively and you will lose the advantages.

To know for which status you qualify, please read through the following definitions:

Definitions:

❖ **‘Public body’** means any legal entity established as public body by national law or an international organisation.

‘Established as public body by national law’ means:

- incorporated as a public body in the act of creation or recognised as a public body by national law and
- governed by public law.

Public bodies may act under and be subject to private law for some or most of their activities.

A legal entity that has a public service mission but which was established under private law is not considered to be a public body.

❖ **‘Non-profit organisation’** means a legal entity that is by its legal form non-profit-making or has a legal or statutory obligation not to distribute profits to its shareholders or individual members.

Decisions on (not) distributing profits made by its managing board, associates, stakeholders, members or representatives are not sufficient proof of the non-profit nature.

It can be a public or a private entity.

❖ **‘Research organisation’** means a legal entity that is established as a non-profit organisation and whose main objectives is carrying out research or technological development.

 The following are **not** considered research activities:

- financing research activities carried out by other entities;
- disseminating knowledge;
- promoting, managing or coordinating research activities.

❖ **‘Secondary or higher education establishment’** means a legal entity that is recognised as such by its national education system.

It can be a public or a private body.

- ❖ ‘**International organisation**’ means an intergovernmental organisation (other than the EU) with legal personality under international public law (including specialised agencies set up by international organisations).

Examples: International public-sector organizations set up by intergovernmental agreements and specialized agencies set up by such organizations; International Committee of the Red Cross (ICRC); International Federation of National Red Cross and Red Crescent Societies.

- ❖ ‘**International organisation of European interest**’ means an international organisation, with a majority of members that are EU Member States or associated countries, and whose main objective is promoting scientific and technological cooperation in Europe.
- ❖ ‘**Small or medium sized enterprise (SME)**’ means a micro, small or medium-sized enterprise as defined in Commission Recommendation No 2003/361/EC⁴ that:
 - is engaged in an economic activity, irrespective of its legal form
 - employs fewer than 250 people (expressed in annual working units: ‘staff headcount’)
 - has annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million.


An entity is considered to be ‘engaged in an economic activity’, if it can prove its involvement in any form of trade or activity carried out for remuneration or financial interest in a given market. In general, any activity that includes placing goods or services on a given market is an economic activity.

 The following are **not** economic activities:

- activities that do not have a financial offset
- activities for which there is no given/direct market
- activities for which the income generated is not distinct from the personal income of its members or shareholders.

For **non-autonomous enterprises**, the financial data of the relevant upstream/downstream enterprises will also be used to check whether your organisation qualifies as an SME.

If — at the date of closure of the accounts — your enterprise finds that, on an annual basis, it has **exceeded** or **fallen below** the staff headcount or financial ceilings set out in the SME Recommendation, this will not result in the loss or acquisition of the SME status unless those ceilings are exceeded over two consecutive accounting periods.

 For more information on the SME definition, see the [Commission website](#)⁵.

⁴ OJ L 124, 20.5.2001, p. 36.


⁵ Available at http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index_en.htm

3. Documents to submit

3.1 General requirements

All documents must be submitted (as scanned copies) **via the electronic exchange system** (i.e. in the Beneficiary Register of the Participant Portal).

You can submit documents in all the official **EU languages**. However, to facilitate the work of the validation services, you may be requested to submit a free translation in English.

 If you submit documents in a non-EU language, the validation services may refuse them unless you also submit a certified/official/legal translation made by an accredited body or translator.

3.2 List of documents

Irrespective of the Horizon 2020 status you registered, you will be asked to submit the following documents (via the electronic exchange system of the Participant Portal), to prove your identity/legal form, name and address:


- signed ‘**legal entity identification form**’⁶
 - for [Private Legal Entity form in English](#)
 - for [Public Legal Entity form in English](#)
 - for [Private Legal Entity and Public Legal Entity forms in other EU languages](#)
- official VAT document or — if you are not registered for VAT — proof of VAT exemption not older than 6 months.

Depending on your status, you will then be asked to submit the following additional documents:

Table 1: Supporting documents per Horizon 2020 status

Status	Documents to be submitted
Private body (even if SME)	<ul style="list-style-type: none"> • registration extract
Public body	<ul style="list-style-type: none"> • copy of the act, law, decree or decision that established the organisation as a public body (or, if this doesn’t exist, any other official document that proves this)
Non-profit organisation	<ul style="list-style-type: none"> • copy of an official document attesting that the organisation has a legal or statutory obligation not to distribute profits to shareholders or individual members
Secondary or higher education establishment	<ul style="list-style-type: none"> • copy of an official document attesting that the organisation is recognised such as ‘secondary or higher education establishment’ by your national education system

⁶ Available at http://ec.europa.eu/budget/contracts_grants/info_contracts/legal_entities/legal_entities_en.cfm

Research organisation	<p>No supporting documents required</p> <p>This status is determined on the basis of your self-declaration (but can only be attributed if the non-profit condition is met)</p>
<p>Small or medium sized enterprise (SME) (in addition to the documents for private bodies)</p>	<p>No supporting documents required</p> <p>The SME status will normally be validated based on a self-declaration through a web-based questionnaire in the Beneficiary Register.</p> <p>Exception:</p> <p>Entities that would like to participate in actions that require SME status (as an eligibility criterion) may request the Validation Services to confirm the SME status. In this case, the following documents must be submitted (for your organisation and for linked and partner companies):</p> <ul style="list-style-type: none"> • balance sheet • profit and loss accounts • staff head count expressed in annual working units • for newly established enterprises (<i>e.g. start-up company</i>) that have not yet closed accounts: a self-declaration, including a bona fide estimate (in the form of a business plan) for the on-going financial year • for enterprises without turnover whose activity implies a long time-to market: a declaration of the investment made and the likely expected return (to demonstrate that, despite the lack of turnover, your enterprise is engaged in an economic activity) <p> Sworn or solemn statements before a judicial or administrative authority, notary or public officer are not acceptable proof of your SME status.</p>
<p>International organisation (or international organisation of European interest)</p>	<ul style="list-style-type: none"> • copy of the relevant international treaty creating the organisation under international public law
<p>Natural person</p>	<ul style="list-style-type: none"> • (legible) copy of your valid identity card or passport
<p>Entities without legal personality</p>	<ul style="list-style-type: none"> • copy of an official document attesting that the representatives of your organisation have the capacity to undertake legal obligations on its behalf • copy of an official document attesting that your organisation has the same operational and financial viability as that of a legal entity (i.e. <ul style="list-style-type: none"> • a document showing patrimony/asset/capital that is separated and different from those of the members/owners of your organisation and • a copy of the rules providing that creditors can rely on this patrimony/asset/capital and — in case of liquidation/insolvency — are reimbursed before the patrimony/asset/capital is divided between the owners/members).

3.3 Insufficient quality of the documents submitted

All data and documents must be provided in good faith.

The Validation Services may use any publicly available information to clarify questions about the data or information provided by you.

You may be required to **explain** or **provide missing information** within a reasonable time, if:

- the Validation Services’ findings do not match your declaration
- the documents you submitted are outdated (*e.g. VAT document more than 6 months old*)
- you have provided information that is illegible, incomplete or ambiguous
- there are elements that the information provided is incomplete or incorrect.

If you do not clarify the issue or provide appropriate documents in time, the validation services will make the validation on the basis of the documents submitted (or refuse to validate you).

 Refusal means that your proposal will not be processed any further.

4. Validation in the Beneficiary Register

On the basis of the submitted information and documents, the Validation Services will validate you.

If you have been validated, your registration and status(es) will be **confirmed** in the Beneficiary Register and you will obtain a **final Participant Identification Code (PIC)**.

The ‘**effective date of existence**’ is the date on which the legal act setting up or incorporating your organisation becomes valid.

This date is — in order of precedence —:

- date of registration in your national official registry (*e.g. commercial registry*)
- date of publication in your national law gazette
- date the act is legally deposited in the court registry
- date of signature by all parties.

If no such legal act exists, your organisation is considered to have existed as a legal entity since a default date.

The ‘**effective date of status**’ is the date the status becomes valid. This date may be the same as the effective date of existence.

Specific cases:

For the **SME status**, it is the date the accounts were closed for the accounting period on which your SME status was based.⁷

For **newly established enterprises** that have not yet closed any accounts, the effective date is the date they are established.

5. After validation

5.1 LEAR appointment and Terms of Use of the electronic exchange system

After validation, your organisation will be requested to appoint a Legal Entity Appointed Representative (LEAR) and to consent to the use of the electronic exchange system (*see section III.3*).

5.2 Eligibility check (for specific grant applications)

On the basis of the validation by the Validation Services, we will assess your eligibility for specific grant applications (during grant preparation; *see section IV.5*).

5.3 Validation updates

The Validation Services will update the validation, in the following cases only:

- there is a **change in the legal situation** of your entity (identity/legal form, name, address, status, etc.)

The Validation Services will automatically be alerted of the changes your LEAR makes in the Beneficiary Register.

Your LEAR (*see sections III.3 and III.4.1*) must keep information stored in the Beneficiary Register up to date (and make any changes necessary).⁸ If you have not yet nominated a LEAR, the nomination process must first be completed.

The ‘**effective date of the change**’ is the date on which the act establishing the change becomes valid (unless the terms of this act stipulate another date).

For SME’s the effective date is the closure date of the accounting period on which the change of status is based.

⚠ If there are any changes to your legal status (*e.g. you are an SME that expands*), you will still retain any advantages associated with the previous status (as validated before signature) for the whole duration of on-going grants — unless it emerges that your status was based on false declarations or that you manipulated information intentionally to obtain the grant.


- the initial validation was wrong (**error**).

⁷ See Article 4(2) of the Annex to the SME Recommendation No 2003/361/EC.


⁸ See Article 17.2 of the General MGA.

If the Validation Services learn (*e.g. through an audit or investigation or through you*) that the validation was wrong, they will encode the modifications retroactively with an effective date as from the date of existence.

If the error is attributable to the Validation Services the retroactive effect may exceptionally be waived, if duly justified and in line with the principles of sound financial management and proportionality.

 If the error was the fault of your organisation, the Commission may terminate your participation in on-going grants and recover the undue amounts paid, fine you and excluded from future EU funding and inform the European Anti-Fraud Office (OLAF).

5.4 Complaints

 For information on complaints, see section **IV**.

III.4.3 Financial viability check

Rules:

- ✘ Art 131(2) FR
- ✘ Art 198, 202 RAP
- ✘ Art 15(9, 10, 11), 23(5), 38(4) RfP

Summary

This section explains how the Commission/Agency:

- checks your financial viability (for some beneficiaries only, see graphic below)

Key points

- If you are subject to a financial capacity check (*see below point 2*), we will check your **financial viability**, on the basis of the data for the last closed financial year.

This will be valid for 18 months.

If we already checked your financial viability for FP7 and this information is still up-to-date (i.e. not older than 18 months), you will not be checked again.

- You have to provide **basic financial data** and **supporting documents** proving your financial viability.

If you make **false declarations** or provide **manipulated information**, we may:

- withdraw and correct your status (backdated to the date of our initial validation)
- terminate your on-going grants (and recover any amounts undue)
- impose financial or administrative penalties, including excluding you from future EU/Euratom grants
- inform the European Anti-Fraud Office (OLAF).

- If we need information or documents, we will contact you.

To contact the Validation Services, please use only the 'Messages' function in the [Beneficiary Register](#) on the Participant Portal .

- You can monitor your financial data in the [Beneficiary Register](#).
- You can **test** your **financial viability** on the Participant Portal with the [financial capacity self-check](#) tool.


1. Financial viability check

After registration, your financial viability will be checked if (and when) one of your proposals has been successfully evaluated and you are subject to a financial viability check (*see below [point 2](#) and sections [IV.2](#) and [IV.5](#)*).

This check is based on supporting documents you will be asked to provide (see [point 3](#)).

It is valid for 18 months (and for all grant applications submitted within this period).

The financial data and financial viability ratios will be checked again later on, only if another proposal is successfully evaluated and you are again subject to a financial viability check.

 You can check your own financial viability with the [financial viability self-check](#) tool.⁹

2. Beneficiaries subject to a financial viability check

The financial viability must be checked for:

- **coordinators**

if

- the requested EU **funding** for the action is \geq **500 000** EUR.

Exceptions:

However, the following entities are always exempted from a financial viability check:

- natural persons in receipt of a scholarship
- public bodies (*for a definition, see section III.4.2*)
- international organisations (*for a definition, see section III.4.2*)¹⁰


Examples: international public-sector organizations set up by intergovernmental agreements and specialized agencies set up by such organizations; the International Committee of the Red Cross (ICRC); the International Federation of National Red Cross and Red Crescent Societies; other non-profit organizations associated to international organisations by a Commission decision.

In addition, the financial viability will not be verified for organisations that are financially guaranteed by a Member State (or an associated country) or that are secondary or higher education establishments.¹¹

Examples:

A public body of a Member State (or associated country) will be considered as guaranteed by this Member State (associated country).

For other entities, the guarantee given by the Member State could result from the national legislation or from a letter (or explicit statement in writing) from the (regional or central) government guaranteeing the financial viability of the legal entity and confirming that it will guarantee any financial claim made by the Commission vis-à-vis the entity.

 In other cases (i.e. for entities that are not coordinators or for coordinators where the requested EU funding is below the threshold), the financial viability will be checked only if there are justified grounds to **doubt** it.

⁹ Available at <http://ec.europa.eu/research/participants/portal/desktop/en/organisations/lfv.html>

¹⁰ See Article 131(3) of the Financial Regulation No 966/2012.

¹¹ See Article 15(10) of the Rules for Participation Regulation No 1290/2013.

Examples: *If the organisation has been involved in cases of serious administrative errors or fraud; is subject to pending legal procedures or judicial proceedings for serious administrative errors or fraud; is subject to an attachment order; is subject to a significant recovery order for an outstanding amount issued by the Commission/Agency on which the payment is significantly overdue; If an audit by the Commission/Agency or Court of Auditors or an OLAF investigation within the last two years resulted in findings that put in doubt the financial viability.*

Specific cases:

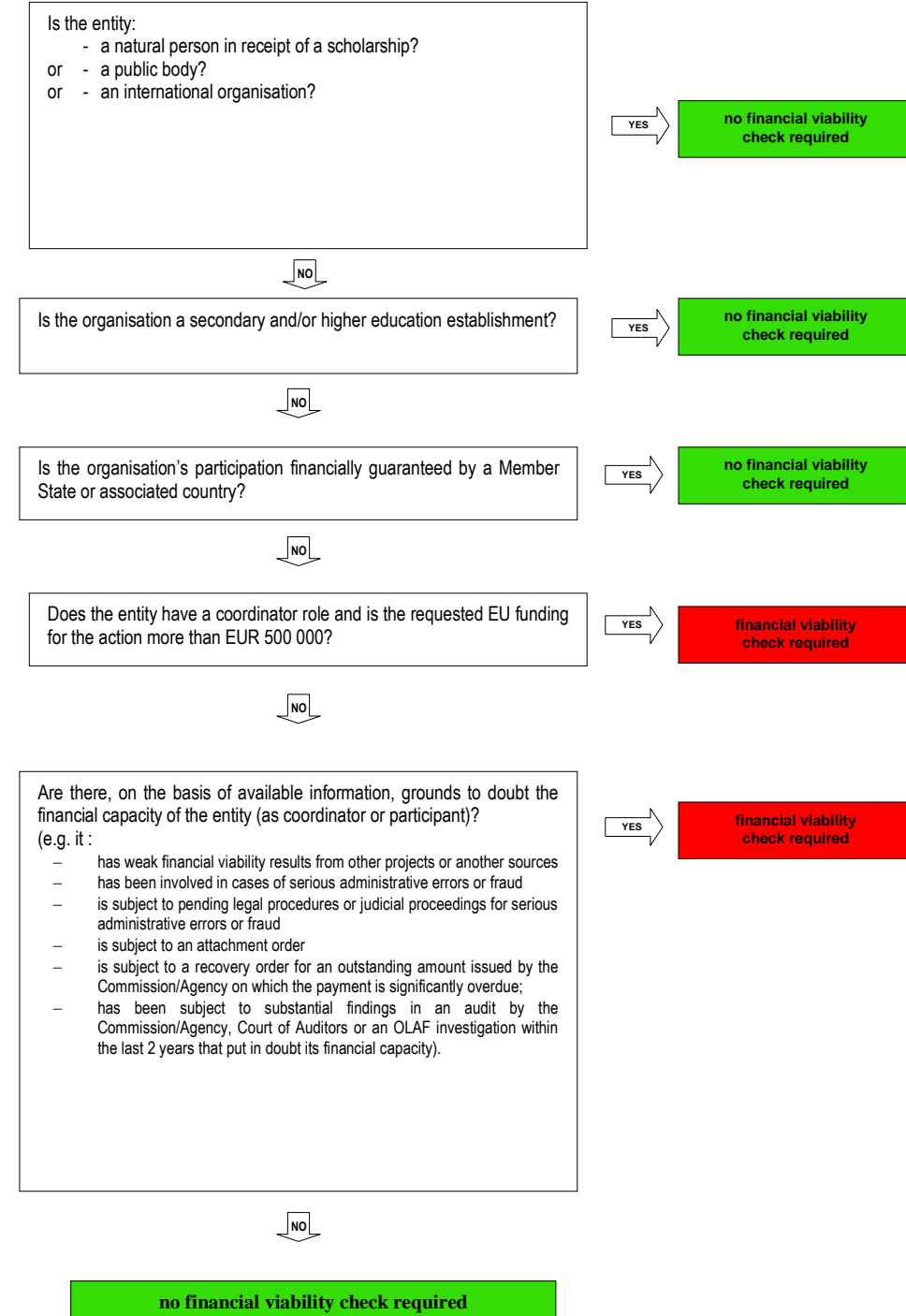
Sole applicants are not considered as ‘coordinators’. They will only be subject to a financial viability check if there are justified grounds to doubt their financial viability.

For **entities without legal personality**, it will be checked if the representatives have the capacity to undertake legal obligations on their behalf and that the financial viability is equivalent to that of a legal person.

For **entities** that are **financially guaranteed by another legal entity**, it is the financial viability of the other legal entity that will be checked. This entity has to assume joint liability for all debts. Ad hoc guarantees (*covering, for instance, only your participation to EU project(s)*) cannot be accepted.

The decision tree below shows when a financial viability check is mandatory:

Financial viability check decision tree




3. Documents to submit

3.1 List of documents

If you are a **legal person** (and your financial viability must be checked), the Validation Services will contact you to request the following **signed** documents for the last financial year for which the accounts were closed:


- balance sheet
- profit and loss accounts
- statutory audit report on the two above financial statements (unless you are exempt from such audit report under national law).

The closed accounts provided may not be older than 2 years.

 Explanatory notes that form part of the financial statements must also be provided (if applicable). Failure to do so will result in a financial capacity check according to the most prudent approach (*see section IV.5*).

Specific cases:

Newly established entities (*e.g. start-up company*) that have not yet closed accounts may provide estimated financial data (i.e. a business plan or a similar document on planned activities).

 Entities that do not have closed accounts yet will always be considered as ‘weak’ (or insufficient, if that is the result of the financial viability ratio; *see below point 4*).

For **non-autonomous entities** (i.e. entities with linked or partner enterprises), only non-consolidated financial statements will be accepted.

If you are a **parent company** (upstream enterprise) of a group of companies and are exempt from publishing a non-consolidated profit and loss account under your national legislation, we may request a synthesis of the non-consolidated profit and loss accounts in a specific format (‘simplified accounts’).

If you are a **subsidiary** of a parent company that assumes joint liability for your debts (downstream enterprise), are exempt from a statutory audit under your national legislation and only have consolidated statements available, we will base our analysis on a copy of your parent company’s official consolidated reports and the related audit reports. If these consolidated accounts don’t clearly mention the joint liability for your debts, you must also provide a statutory list of subsidiaries.

A summary of the financial statements to be provided is illustrated in this table:


Table 2: Financial statements

Your situation	Statements you must submit
Most applicants (standard case)	Non-consolidated financial statements for your organisation (even if you are part of a grouping).
Parent company (exempt under national law from publishing a non-consolidated profit and loss statement)	Your non-consolidated balance sheet and a ‘simplified accounts’ summary of your non-consolidated profit and loss statement

<p>Subsidiary (exempt under national law from statutory audits, for which only consolidated statements are available and with a parent company that assumes joint liability for all its debts).</p>	<p>A copy of your parent company's official consolidated financial reports and the related audit reports.</p>
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In addition, you will be invited to submit (via the electronic exchange system):

- a synthesis of your last available balance sheet and profit and loss account, in the 'simplified accounts' format
- if your requested EU funding exceeds EUR 750 000: a full audit report (prepared by a professionally qualified external auditor) that certifies the (non-consolidated) accounts of the last available financial year.

 This report must include: a clear mandate to audit; the responsibilities of the management and the auditor; the way in which the audit will be carried out, including a reasonable assurance that the financial statements are free of material misstatement; the auditor's opinion.

If the financial capacity check is performed at the level of a legal entity that assumes joint liability for your debts, the audit report may be provided for this legal entity (i.e. consolidated accounts).

If you are a **natural person** (and your financial viability must be checked), you will be asked to provide:

- your latest income tax declaration
- a certified declaration of your current patrimony, including:
 - fixed patrimony (*e.g. land, tenement, hereditament, medium/long-term time deposits (more than one year), stock options that cannot be exercised within one year*)
 - current patrimony (*e.g. available cash, savings, short-term time deposits (maximum of one year), stock-options that can be exercised within one year*)
 - a list of your certified debts.

This list must contain all your debts (with dates and figures), broken down in short-term debts (of maximum one year) and medium/long-term debts (exhaustive of more than one year).

3.2 Incomplete or contradictory information

The Validation Services will ask you to explain or provide missing information within a reasonable time.

If you fail to provide the requested data and documents by the requested time, we will calculate your financial viability ratios on the basis of the information we have.

4. Calculation of the financial viability ratios

On the basis of the financial data you submitted, we will check your financial viability.

For **legal persons**, financial viability is based on **five** financial ratios:

Table 3: Financial viability ratios for legal persons

Purpose	Indicator	Ratios
Liquidity	Quick Ratio	$\frac{\text{Current assets} - \text{Stocks} - \text{Debtors} > 1 \text{ year}}{\text{Short term debt (bank and non-bank)}}$
Financial Autonomy	GOP Profit ratio	$\frac{\text{Interest}}{\text{GOP}}$
Profitability	Profitability (1)	$\frac{\text{GOP}}{\text{Turnover}}$
	Profitability (2)	$\frac{\text{NOP}}{\text{Turnover}}$
Solvency	Solvency	$\frac{\text{Total Debt}}{\text{Equity (*)}}$

(*) Equity = Capital and reserves - 50 % of intangible assets

Based on the results obtained for each of the above-mentioned ratios, the following scores are given:

Table 4: Financial viability scores for legal persons

Purpose	Indicator	Weak / Insufficient	Acceptable	Good
		0 points	1 point	2 points
Liquidity	Quick Ratio	$i < 0,5$	$0,5 \leq i \leq 1$	$i > 1$
Financial Autonomy	GOP Profit ratio	$i > 0,4$ or < 0	$0,40 \geq i \geq 0,30$	$0 \leq i < 0,30$
Profitability	Profitability (1)	$i < 0,05$	$0,05 \leq i \leq 0,15$	$i > 0,15$
	Profitability (2)	$i < 0,02$	$0,02 \leq i \leq 0,04$	$i > 0,04$
Solvency	Solvency	$i > 6,00$ or < 0	$6,00 \geq i \geq 4,00$	$0 \leq i < 4,00$

Exceptions:

For liquidity:


- If {Current assets – Stock – Debtors after one year} = 0, the result will be 0 ('weak').
The value for {Current assets – Stock – Debtors after one year} cannot be negative.
- If the short term debt (bank and non-bank) = 0, and the above (i.e. {Current Assets – Stock – Debtors after one year}) is not 0, the result will be 2 ('good').

For financial autonomy:

- If $GOP \leq 0$, the result will be -1 ('weak').
- The interest paid cannot be negative.

For profitability (1):

- If $GOP \leq 0$, the result will be 0 ('weak').
- If Turnover = 0, the Operating income will be used for the calculation.
- If Operating Income = 0 or negative, the result will be 0 ('weak').
- Turnover cannot be negative.

 When deciding about the financial viability of non-profit entities, their non-profit-making nature can be taken into account.

For profitability (2):

- If $NOP \leq 0$, the result will be 0 ('weak').
- If Turnover = 0, the Operating income will be used for the calculation.
- If Operating Income = 0 or negative, the result will be 0 ('weak').
- Turnover cannot be negative.

For solvency:

- If Equity = 0, the result will be -1 ('weak').
- If Total debt = 0 and Equity is positive, the result will be 0 ('good').
- If Total debt = 0 and Equity is negative, the result will be -1 ('weak').

Financial viability will normally be considered **positive** (i.e. 'good' or 'acceptable'), if you obtain a minimum of **4 points**.

Table 5: Financial viability overall results

	Insufficient	Weak	Acceptable	Good
Result of financial viability check	0	1-3	4-5	6-10

Exceptions:

Irrespective of the above results, your financial viability will always be considered 'weak' if:

- an audit report on your entity's accounts was issued with serious qualifications (*see section 3.1*)
- you are a newly established entity that has not yet closed any accounts

- there were substantial financial findings relating to your financial capacity in an audit of the Commission/Agency or the Court of Auditors or an OLAF investigation within the last two years
- you have been involved in serious administrative errors or fraud
- you are subject to pending legal procedures or judicial proceedings for serious administrative errors or fraud
- you are subject to an attachment order
- you are subject to a significant recovery order for an outstanding amount issued by the Commission/Agency, on which the payment is significantly overdue.

If you are a **natural person**, financial viability is based on **two** criteria (i.e. liquidity and solvency), expressed as the following ratios:

Table 6: Financial viability ratios for natural persons

Criterion	Meaning	Ratio	
Liquidity	Able to cover your short-term commitments	'Quick ratio'	$\frac{\text{Current patrimony}^{(*)} + \text{annual revenues}^{\#}}{\text{Short term debt (bank and non-bank)}^*}$
Solvency	Able to cover your medium and long-term commitments	'Solvency ratio'	$\frac{\text{Total debt}^*}{\text{Patrimony}^{(*)}}$

(*) as indicated in the declaration of patrimony

as indicated in the income tax declaration

* as indicated in the list of debts

Based on the results obtained above we will give the following **scores**:

Table 7: Financial viability scores for natural persons

Criterion	Ratio	Weak / Insufficient	Acceptable	Good
		0 points	1,5 points	3 points
Liquidity	Quick ratio	$i < 2$	$2 \leq i \leq 3$	$i > 3$
Solvency	Solvency ratio	$i > 1$	$1 \geq i \geq 0,5$	$i < 0,5$

The overall result is determined in the same way as for legal persons: the financial viability will normally be considered **positive** (i.e. 'good' or 'acceptable'), if you obtain a minimum of **4 points**, unless you fall under one of the exceptions (*see above*).

The result of the financial viability check calculation is then entered in the Beneficiary Register.

5. After the financial viability check

5.1 Financial capacity check (for specific grant applications)

On the basis of the financial viability check, we will assess your financial *capacity* for specific grant applications (during grant preparation; *see section IV.5*)

5.2 New financial viability check

A new financial viability check will be triggered automatically, if you submit a new grant application when your financial data is no longer valid (i.e. after 18 months) and this proposal is successfully evaluated and you are again subject to a financial capacity check.

The same procedure as explained above applies for the new check.

5.3 Complaints

① For information on complaints, see section IV.