

DECISION

**authorising the use of unit costs for direct personnel costs for cooperation, collaboration
and training actions under the Customs and Fiscalis programmes**

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 2021/444 of the European Parliament and of the Council of 11 March 2021 establishing the Customs programme for cooperation in the field of customs and repealing Regulation (EU) No 1294/2013¹, and in particular Article 6(2) thereof,

Having regard to a Regulation of the European Parliament and of the Council establishing the ‘Fiscalis’ programme for cooperation in the field of taxation, and in particular Article 6(2) thereof,

Having regard to Regulation (EU, Euratom) No 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union², and in particular Articles 125 and 181 thereof,

Whereas:

- (1) The use of unit costs considerably simplifies the administrative procedures and limits the risk of errors, consequently reducing workload for the Commission and for the recipients of Union funds.
- (2) To extend this simplification to cooperation, collaboration and training actions under the Customs and Fiscalis programmes, while also keeping the number of unit costs at a reasonable level, unit costs for direct personnel costs should be calculated at the level of pay grades based on basic salaries of official national salary grids (or assimilated) for the public service.

THE FOLLOWING HAS BEEN DECIDED:

Article 1

The use of eligible direct personnel costs declared by recipients of Union funds on the basis of unit costs is authorised for cooperation, collaboration and training actions under the Customs programme, for the reasons and under the conditions set out in the Annex.

Article 2

The use of eligible direct personnel costs declared by recipients of Union funds on the basis of unit costs is authorised for cooperation, collaboration and training actions under the ‘Fiscalis’ programme for cooperation in the field of taxation, for the reasons and under the conditions set out in the Annex.

¹ OJ L 87 of 15.03.2021, p.1.

² Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 (OJ L 193, 30.7.2018, p.1).

This is subject to the final adoption by the legislative authority and entry into force without significant modifications of the Regulation of the European Parliament and of the Council establishing the 'Fiscalis' programme for cooperation in the field of taxation.

Done at Brussels,

Mr Gerassimos THOMAS
Director-General
Directorate-General for Taxation and Customs
Union

Annex

1. Form of Union contribution and categories of costs covered

Recipients of Union funds shall declare direct personnel costs exclusively on the basis of unit costs for cooperation, collaboration and training actions organised under the Customs and Fiscalis programmes.

Other categories of eligible costs like subcontracting costs, depreciation costs, other goods, works and services costs, and long-term missions, shall be reimbursed on the basis of eligible costs actually incurred. Travel, accommodation and subsistence costs shall be reimbursed on the basis of unit costs, as authorised by Commission Decision C(2021)35.

The amounts of the unit costs for personnel costs to be declared by the beneficiaries shall be calculated in accordance with section 3.

2. Justification

DG TAXUD is committed to making extensive use of simplified form of grants in the Customs and Fiscalis programmes.

The use of unit costs will simplify, streamline and reduce the time needed for the financial management of the programmes, both at Commission as well as beneficiary (national administration) level. A unit cost system is not only more cost-effective and economically sound than item-based budgeting; it also significantly shortens the time needed to establish grant amounts and prevents amendments related to budget variations. In addition, it significantly decreases the workload of the management team and consequently speeds up payment procedures. Furthermore, it implies additional simplifications at beneficiary level in terms of both application and reporting requirements allowing greater focus on quality and impact of the actions. Reimbursement based on unit costs also results in easier ex-post analysis and further reductions of the risk of error.

For these reasons, it has been decided to apply the use of unit costs under the Customs and Fiscalis programmes.

2.1. Nature of the supported actions

The **Customs and the Fiscalis programmes** offer Member States a European framework for cooperation amongst national customs and tax administrations and their officials. Customs programme aims to support and improve the proper functioning and modernisation of the customs union, while Fiscalis focuses on improving the proper functioning of the taxation systems in the internal market. The vast majority of the programmes funding is devoted to the implementation, improvement, operation and support to the European Information Systems (EIS), allowing customs and tax administrations to exchange information by secure electronic means. The remaining programmes' budget is used for the organisation of **actions for officials** (covering the cooperation and collaboration aspects), and the **training activities**.

These actions support collaboration between customs and taxation officials by organising workshops, seminars, project groups, expert teams, working visits, capacity building, etc., where officials exchange knowledge and best practices. These actions represent a key sustainable success factor for the understanding and implementation of customs and taxation

policy in Europe and for increasing the performance, effectiveness and efficiency of the customs and taxation administrations.

The expenditure in the framework of the collaborative actions consists of grants awarded to the participating National Administrations and reimbursement of costs incurred by national officials. The beneficiaries of these grants are the public administrations of the Members States and of applicant countries.

Each grant covers that part of the programme budget that finances the costs related to the eligible actions, including direct personnel costs directly linked to the implementation of the action on the basis on unit costs as defined in section 3.

Travel, daily subsistence and accommodation costs, are expenses of a participant for an event's business trip. These eligible categories of costs are to be reimbursed on the basis of unit costs defined by Decision C(2021) 35.

2.2 Risks of irregularities and fraud and costs of control

Risks of irregularities

TAXUD's grant beneficiaries are national public bodies as identified in the basic acts of the programmes, and are non-profit organisations. Those recurrent beneficiaries make use of reliable accounting systems and their activities are subject to potential external controls by national auditors.

Based on the results of ex-ante and ex-post controls carried out so far, as well as on the characteristics of the targeted population (public bodies) the risk of fraud in managing the grants is assessed as low.

The data submitted by the potential beneficiaries are based on official national salary grids (or assimilated) for the public service. These are accessible and auditable at any time. A declaration, signed by an authorised person of the beneficiary's administration, is to be provided stating that the submitted unit costs have been established in line with the harmonised method set out in section 3.

Costs of control

It is expected that unit costs will continue to have a positive impact on the level of errors and on the costs of control carried out.

The use of unit costs contributes to reducing the main source of errors (audit trail and calculation of actual costs incurred for personnel costs).

Unit costs will further contribute to limiting the risk of non-compliance to less than 2 %. The costs of reinforced ex-ante and ex-post controls will decline.

Controls on unit costs for personnel costs on transaction level will focus on time registration and the allocation of staff to the pay grades. Controls at the level of individual salary information (e.g. pay slips) will no longer be required.

Controls on the correct application of the method (including cost components and accurate figures) will be integrated into the control programmes based on an annual risk assessment.

2.3. Justification on why an output or result-based approach is not possible or appropriate

The unit costs authorised by this decision are based mainly on the time spent by the personnel of the beneficiary. Since the activities on which the personnel might be working cannot be defined in advance, time-based unit costs allow flexibility to cover all types of work by the personnel on an action. For this reason, it is neither appropriate nor possible to define in advance an output or result-based unit cost.

3. Method to determine and update the amount of the Union contribution in the form of unit costs

3.1 Unit costs for average daily personnel costs

Unit costs are to be understood as **average daily rates for basic salaries of direct personnel costs** that are established **per pay grade** of the beneficiary's pay grid.

They are calculated on the basis of historical payroll data and thus refer to basic salaries of direct personnel costs actually incurred by the beneficiary during a defined reference year. The payroll data used for the calculation of unit costs have to be auditable and reconcilable with the beneficiary's accounting data of the same year.

The **reference year** is to be understood as the most recent year for which the beneficiary can provide annual accounts.

Unit costs are established as average daily rates for each pay grade of the beneficiary's **salary grid**.³

The **pay grade** is defined as the level of the salary grid that comprises any levels for seniority within this grade.

The breakdown of the entire staff into pay grades should correspond to the structure of the salary grid usually applied by the beneficiary in accordance with national legal provisions for the public service (or, where applicable, to that for assimilated entities).

³ A salary grid is the range of pay, which usually presents in form of scales the remuneration paid for working at a certain level or grade of an organisation. The pay grades for which unit costs are calculated have to be consistent with the structure of the salary grid.

Since different salary grids are usually applied for the remuneration of civil servants working as permanent officials, and for those working under temporary or unlimited employment contracts, separate grids should be provided for:

a) officials (permanent and temporary)

b) contractual staff (working under a temporary or unlimited employment contract)⁴.

To calculate the unit costs per pay grade, the harmonised method described below is to be applied.

3.2 Calculation of average daily personnel costs per pay grade

The average daily rates for each pay grade are calculated on the basis of the **total annual basic salaries of direct personnel costs** incurred by the beneficiary during the reference year for the entire staff of the given pay grade.

For the calculation, the beneficiary extracts from the payroll system for each pay grade the individual basic salary data of staff belonging to this grade on the last day of the reference year.

The total annual basic salaries of direct personnel costs are divided by the **staff employed during the reference year (expressed in full-time equivalents)** belonging to the respective pay grade and by **215** annual working days.

Average daily rate per pay grade =

$$\frac{\text{Total annual basic salaries of direct personnel costs per pay grade}}{\text{FTE per pay grade during reference period} * 215 \text{ working days}}$$

Where information on FTE is not available, the calculation may be based on the (total) number of staff.

Definition of components:

Total annual basic salaries of direct personnel costs

Total annual basic salaries of direct personnel costs per person correspond to the sum of the basic salaries of direct personnel costs incurred by the beneficiary.

Basic salary

The basic salary is the main element of remuneration and is determined in accordance with the pay grade held. It is therefore not a matter of which function the civil servant actually performs, but solely of the pay grade.

The pay grades are governed by the official remuneration schemes for the public service at national or regional level or, where applicable, by those established by an international organisation.

⁴ Costs for staff hired under *civil contracts* can be taken into account only, if costs under such contracts can be assimilated to contractual personnel costs.

Non Eligible direct personnel costs:

Any other component of direct personnel costs, but the basic salary.

3.3 First submission of unit costs to DG TAXUD

The grid of unit costs established by the beneficiary in line with the above methodology is to be transmitted to DG TAXUD (financial department) for information and assessment, together with a declaration that the submitted unit costs have been established in accordance with the methodology. This declaration confirming the main methodological features is to be signed by an authorised representative of the beneficiary.

3.4 Further updates

The beneficiary may update its unit costs annually, from the moment it can provide more recent annual payroll data. Updated unit costs declaration have to be submitted to DG TAXUD as described above under item 3.3. The updates will become applicable to subsequent grant applications. They will not be applicable retroactively to already on-going grant agreements.

3.5 Field of application of unit costs

The main purpose of the introduction of unit costs for basic salaries of direct personnel costs for actions under the Customs and Fiscalis Programmes is the simplification of procedures and the reduction of time needed for the financial management of projects.

This decision also allows the customs national authorities designated by a Member State or participating country to the programme, to use unit costs submitted by the tax national authorities of that Member State or participating country and vice versa.

This will be dependent on the customs or tax authorities submitting their unit cost grid and declaration within the first year of the application of the Programmes and keep it updated.

This approach is justified because historical experience shows that the structure of the salary grid and range of unit costs of a national customs and tax administration are very similar (if not identical) by the same Member State or participating country. Accordingly, the submitted unit costs calculated by the national customs or by the tax administration can be used by the other national tax and customs authorities respectively, designated by the same Member State or participating country.

To do this, the other national authority must identify the members of staff working on the project and their actual basic salary. The authority may then declare the unit costs from the grid submitted by the national customs or tax administration of the same Member State that are the closest to the actual salary of the given staff members in the unit costs.

The use of unit cost grids submitted by the customs or tax authorities and used by the other administration will, on the one hand, alleviate the administrative burden for other national authorities, since they will not have to calculate their own unit costs, and, on the other hand, simplify the management of grant procedures for the Commission services, since there will be only one unit cost grid used per Member State.

4. Sound financial management and co-financing principles and absence of double financing

Co-financing principle:

The co-financing rate as announced in the call for proposals will be applied to direct personnel costs calculated in accordance with the unit cost methodology. Co-financing is further ensured because the unit costs are based only on basic salaries, not covering the beneficiary's full personnel costs such as other statutory costs, social contributions, taxes on wages, pension contributions, additional remunerations schemes, indirect costs, etc...

Sound financial management:

Compliance with the principle of sound financial management is *a priori* ensured by the fact that unit costs are established on the basis of the beneficiary's latest annual payroll data which have to be auditable and reconcilable with the beneficiary's accounting data of the same year and can therefore be assumed to be a reliable proxy of the real staff costs.

Furthermore, the part of the action that is not covered by the EU contribution or third parties will be co-financed by using exclusively the beneficiaries' own resources.

Double financing:

Double financing is mainly avoided by the definition of the cost category covered by the unit costs.

Unit costs only cover basic salaries of direct personnel costs of a grant action. Any other direct personnel costs are not covered. Indirect eligible costs for instance, related to facilities costs (costs associated with infrastructures used by the organisation for its general operation); IT costs (cost of IT equipment, software and other IT infrastructures used by the organisation for its general operation) and support costs (costs of staff employed in internal support departments) are covered by the flat rate for indirect costs indicated in the respective grant agreement.

Based on the results of past controls it is considered that the time recording mechanisms of the beneficiaries identified in the basic acts of the programmes, are sufficiently developed to ensure that there is a clear allocation of time spent on different projects.