European Commission

JUSTICE ACROSS EUROPE

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Justice Programme & Rights, Equality and Citizenship Programme

FINANCIAL PROVISIONS

Annex to Calls for Proposals

Action Grants 2019

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History of changes

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1.0	18/12/2018	First version	

This Annex forms an integral part of the topic conditions of the Calls for proposals actions grants under the Justice and the Rights, Equality and Citizenship programmes. It details the financial provisions and the rules related to the eligibility of costs incurred in the framework of actions grants under these Programmes. It consists of the following sections:

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These financial provisions complete those of the financial regulation[1] and of the relevant Grant Agreement (GA)[2].

NB: In case of multi-beneficiaries grant agreement, all the financial provisions described in this Annex apply to all Beneficiaries, being coordinator or not.

[1] 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 (1), OJ-L 193/30.07.2018, p.1

[2] A model grant agreement is available in the reference documents section of the call for proposals in the relevant section of the website: https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/how-to-participate/reference-documents

1. GENERAL FINANCIAL PROVISIONS

1.1. Form of the Grant: Reimbursement of Costs Actually Incurred[3]

The grant will be defined by applying the co-financing rate to the eligible costs actually incurred and declared by the Beneficiary.

The reimbursement rate is indicated in Article 5.2 of the Grant Agreement. It may not exceed 80% of the total eligible costs, unless otherwise specified in the call notice.

Eligible costs must be declared under the following terms:

- For direct personnel costs: as actually incurred costs (actual costs)
- For direct travel and subsistence costs: as actually incurred costs (actual costs)
- For direct costs of subcontracting: as actually incurred costs (actual costs)
- For direct costs of providing financial support to third parties: not applicable (ineligible)
- For other direct costs: as actually incurred costs (actual costs)
- For indirect costs: on the basis of a flat rate of 7% of direct costs (flat-rate costs)

1.2. Currency for Budget and Financial Statements, Conversion into EURO (Article 15.6 of the Grant Agreement)

The budget and the financial statements must be drawn up in euros.

Beneficiaries with accounting established in euro must follow their usual accounting practices regarding conversion of currencies.

Beneficiaries with accounting established in a currency other than the euro must convert the costs recorded in their accounts into euro using the average of the daily exchange rates published in the C series of the *Official Journal of the European Union*, calculated over the corresponding reporting period.

If no daily euro exchange rate is published in the Official Journal of the European Union for the currency in question, they must use the average monthly accounting rates published on the Commission's Infor-Euro website at http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/inforeuro_en.cfm calculated over the corresponding reporting period.

1.3. Balanced Budget [4]

The estimated budget of the action must be attached to the application form. It must have revenue and expenditure in balance.

The applicant must ensure that the resources which are necessary to carry out the action are not be entirely provided by the EU grant.

Co-financing of the action may take the form of:

- the Beneficiary's own resources,

[3] Article 186 FR
[4] Article 196 FR

– income generated by the action,
– financial contributions from third parties.

1.4. No-profit principle[5]

Grants shall not have the purpose or effect of producing profit. Profit is defined as surplus of the receipts over eligible costs incurred by the beneficiary at the time of payment request. (see section 5 below)

1.5. Non-cumulative award[6] (Article 6.4 of the Grant Agreement)

An action may only receive one grant from the EU budget.

In no circumstances shall the same costs be financed twice by the Union budget. To ensure this, applicants shall indicate in the grant application the sources and amounts of Union funding received or applied for the same action or part of the action or for its (the applicant's) functioning during the same financial year as well as any other funding received or applied for the same action.

1.6. Non-retroactivity[7]

No grant may be awarded retrospectively for actions already completed.

A grant may be awarded for an action which has already begun only where the applicant can demonstrate in the grant application the need to start the action before the grant agreement is signed. In such cases, costs eligible for financing may not have been incurred prior to the date of submission of the grant application.

2. GENERAL PROVISIONS ON ELIGIBLE AND INELIGIBLE COSTS

2.1. Eligible costs (Articles 6.1 and 6.2 of the Grant Agreement)

Eligible costs shall meet all the following criteria:

- They are incurred by one of the beneficiaries listed in the Grant Agreement.
- They are incurred during the eligibility period/duration of the action specified in Article 3 of the Grant Agreement.

  ! Only costs incurred during the implementation period of the action are eligible, i.e. the cost must be generated during the lifetime of the action.

  ! Invoices can be dated and/or recorded after the end of the implementation period provided they relate to activities carried out during the eligibility period.

[5] Article 192 FR
[6] Article 191 FR
[7] Article 193 FR

- ! By exception, costs related to the attendance of a kick-off meeting organised by the Commission could be considered eligible even if this meeting takes place before the starting date of the action.
- ! By exception, costs for audit, financial guarantee requested in the Grant Agreement and costs relating to the submission of the final report can be incurred after the end of the implementation period.
- ! Payment must have taken place at the latest at the time the final report is submitted.
- ! If one of the planned deliverable is a publication, the publication should be finalised within the eligibility period. Beneficiaries must plan production of publications timely.

- They are indicated in the estimated budget annexed to the Grant Agreement or an amendment.

- They are connected to the activities approved in the Grant Agreement and necessary to implement it.

  - ! Staff time spent on activities not planned in the Grant Agreement is not eligible.

  - ! The EU grant must not be diverted to finance activities other than those approved by the Commission.

- They are identifiable and verifiable, in particular being recorded in the accounting records of the Beneficiary in accordance with the accounting standards applicable in the country where the Beneficiary is established and with the Beneficiary's usual cost accounting practices.

  - ! Beneficiaries should set up in their accounts a cost-revenue centre specific to the action.

  - ! Beneficiaries must enter costs in their accounts in accordance with the applicable rules.

  - ! The costs declared in the final financial report must correspond to actual payments made by the Beneficiaries.

  - ! Supporting documents (invoices or accounting documents of equivalent value under the applicable accounting law) must be available for all costs, since costs which cannot be justified are, as a matter of principle, not to be considered eligible.

- They comply with the requirements of the applicable tax and social legislation.

- They are reasonable, justified, and comply with the requirements of sound financial management, in particular regarding economy and efficiency.

The Beneficiary's internal accounting and auditing procedures must permit direct reconciliation of the costs and revenue declared in respect of the action with the corresponding accounting statements and supporting documents.

Eligible costs may be direct or indirect. The eligible direct costs for the action are those costs which, with due regard for the conditions of eligibility set out above, are

identifiable as specific costs directly linked to the performance of the action and which can therefore be booked to it directly. Indirect costs are costs that are not directly linked to the action implementation and therefore cannot be attributed directly to it.

2.2. **Ineligible costs** (Article 6.4 of the Grant Agreement)

The following costs shall not be regarded as eligible and therefore are not included by the Commission in the calculation of the final amount of the grant:

a) Costs which do not comply with the conditions set out under section 2.1. above, in particular:

   – costs related to return on capital or dividends paid by a Beneficiary;

   – debt and debt service charges;

   – provisions for losses or debts;

   – interest owed;

   – doubtful debts;

   – exchange losses;

   – bank costs charged by the Beneficiary's bank for transfers from the Commission;

   – excessive or reckless expenditure, gifts, presents, incentives, representation costs, recreational/touristic/cultural activities;

   – deductible VAT: if, for a specific cost, a Beneficiary can deduct VAT on its sales, this VAT is not eligible under the grant as it does not consist in a cost for the Beneficiary;

   – the insurance premium against risk of exchange rate losses.

b) Costs of providing financial support to third parties (category D), scholarships.

c) Costs declared under another EU or Euratom grant, including:

   – grants awarded by a Member State and financed by the EU or Euratom budget;

   – grants awarded by bodies other than the Commission for the purpose of implementing the EU or Euratom budget;

   – for beneficiaries receiving an operating grant financed by the EU or Euratom budget: indirect costs for the period(s) covered by the operating grant;

   – conference fees of events co-funded by the EU.

d) Travel and subsistence costs and any other fees for any staff or elected representative of any EU institutions, bodies or agencies.

e) Costs linked to activities that do not take place in one of the eligible countries, unless approved in writing by the Commission.

f) Taxes for which the contractor is liable in its capacity as a business entity (e.g. IRAP in Italy, Gewerbesteuer in Germany). Especially when the tax itself is not a part of the salary or the payroll for staff assigned to the action, or other legal costs included in the remuneration. That kind of tax is actually payable by the entity or by the person subject to its productive activity in general. Therefore, it is not a necessary cost for the implementation of the action and is not considered as eligible.

g) Costs incurred for the production of communication material, including notice boards and websites, that do not acknowledge the financial support of the EU.

h) Costs not entailing a cash flow for the Beneficiary (e.g. internal invoices).

i) Contributions in kind, non-cash inputs from third parties, such as:

   – Any donation of raw materials (i.e. paper and ink for publication purposes);

   – Unpaid volunteer work or unpaid provision of service;

   – Any other good or service provided to the Beneficiary whose cost is borne by another organisation and not reimbursed by the Beneficiary.

   They neither constitute an eligible cost nor an income.

Other costs could also be considered as ineligible if they do not meet the criteria stipulated by point 2.1 above and by Article 6 of the Grant Agreement.

2.3. Eligible Countries

The programmes of Directorate-General Justice and Consumers concern internal EU policies. Costs must therefore relate to activities taking place in the eligible countries. The list of eligible countries is indicated in the call for proposals.

Costs linked to activities organised in non-eligible countries are not eligible under the Grant Agreement. A Beneficiary could however organise activities outside eligible countries at its own costs.

The Commission could accept costs linked to the participation of a representative of a Beneficiary to an event organised by a third party outside an eligible country. Such authorisation could be given on an ad hoc basis by the Commission if the event is particularly relevant to the implementation of the action.

Costs of participants from non-eligible countries are not eligible under the Grant Agreement.

Costs of speakers from non-eligible countries could be accepted if their qualifications and experience are relevant and have an added-value to the implementation of the action.

Sub-contractors and service providers may be based outside eligible countries. However, their work must be performed in one of the eligible countries (‘place of performance obligation’), unless otherwise approved by the Commission.

2.4. **Award of Contracts** (Article 10 of the Grant Agreement)

2.4.1. General Rules

Procedure for Award

If the procurement of goods, works or services is necessary, the Beneficiaries shall award the contract to a third party ensuring that:

– they select the tender offering best value for money or, as appropriate, the tender offering the lowest price;

– they avoid any conflict of interests.

Beneficiaries are allowed to organise the tender procedure according to their internal practices, provided that they can demonstrate that the two abovementioned principles are respected.

Beneficiaries acting in their capacity of contracting authorities within the meaning of Directive 2014/24/EC of the European Parliament and of the Council of 26 February 2014 on the coordination of procedures for the award of public work contracts, public supply contracts and public service contracts or contracting entities within the meaning of Directive 2014/25/EC of the European Parliament and of the Council of 26 February 2014 coordinating the procurement procedures of entities operating in the water, energy, transport and postal services sectors shall abide by the applicable national public procurement rules.

Beneficiaries shall retain sole responsibility for carrying out the action and for compliance with the provisions of the Grant Agreement.

Beneficiaries cannot act as subcontractors under the Grant Agreement.

Contracts

The Commission is *not* party to such agreements between a Beneficiary and a goods/service provider. The Commission has no liability towards any of the parties under these agreements and is bound solely by the terms of the Grant Agreement.

Beneficiaries must undertake the necessary arrangements to ensure that the goods/service provider waives all rights in respect of the Commission under this agreement.

Beneficiaries must ensure that the Commission, the European Court of Auditors (ECA) and the European Anti-Fraud Office (OLAF) can exercise their rights under Article 17 of the Grant Agreement also towards their contractors and subcontractors.

Typically, these contracts should include the following terms:

- Goods/services to be provided and their links to the project;
- Dates on which the contract begins and ends;
- Price to be paid (breakdown and description of the costs);
- Detailed description of the tasks/work schedule/completion phases;
- Detailed description of the costs on which the price is based;
- Payment arrangements (one or more advance payments, staggered payments, etc.);

– Clauses related to non-performance or late completion.

2.4.2. Subcontracting of Tasks - Category C of the Estimated Budget

Subcontracting refers to the implementation of specific tasks being part of the action as described in Annex 1 to the Grant Agreement, by a third party to which a procurement contract has been awarded by the Beneficiary (e.g. recruitment of a research company or consultant).

Beneficiaries could subcontract some tasks provided that, in addition to the conditions specified above under section 2.4.1, they comply with following conditions:

– Subcontracting only covers the implementation of a limited part of the action (should not exceed 30% of the total eligible costs);

– Beneficiaries may not subcontract the management and general administration of the action;

– Recourse to subcontracting is justified having regard to the nature of the action and what is necessary for its implementation;

– At the time of application the Applicant is requested to indicate in Part B of their Application any tasks that would be subcontracted and to duly explain the added-value of such subcontracting and the reasons for the lack of relevant expertise within its organisation;

– The estimated costs of the subcontracting are indicated in the estimated budget;

– After the grant is awarded, any recourse to subcontracting which is not described in the proposal and is not included in Annex I of the Grant Agreement, must be communicated by the Beneficiary in accordance with the provisions of the Grant Agreement;

– The subcontracted work must be performed in one of the eligible countries;

– The subcontracted work must be performed during the eligibility period.

2.4.3. Implementation Contracts - Category E of the Estimated Budget

These contracts refer to the procurement of ordinary services, goods or equipment needed to carry out the project (e.g. dissemination of information, audits, translations, printing, purchase of flights/tickets, renting of rooms and accommodation, purchase of consumables and supplies, speakers, etc.) including purchase of specific consumables and supplies. These contracts do not imply any externalisation of tasks included in the action described in the proposal.

Implementation contracts must comply with the provisions specified above under sections 2.1, 2.3 and 2.4.1.

2.4.4. Rule of Thumb to Distinguish Subcontracts from Implementation Contracts

Subcontracts provide for an output to be produced but do not specify any means or steps (such as number of days worked, number of pages, etc.) to reach that output.

For example, a contract providing for experts to evaluate a given set of questionnaires filled in by the participants after an event should be considered as implementation contract. Whereas a contract providing for experts to evaluate an action without specifying the documents they should read, the event they should attend, the persons they should interview, etc., should be considered as subcontract in the sense of Article 10 of the Grant Agreement.

3. DETAILED PROVISIONS ON ELIGIBLE EXPENDITURE (ARTICLE 6.2 OF THE GRANT AGREEMENT)

3.1. Direct Personnel Costs (Category A)

3.1.1. Remuneration rates

The costs shall be calculated on the basis of the actual gross salary or wages plus obligatory social charges and any other statutory costs included in the remuneration. They may also comprise additional remunerations, including payments on the basis of supplementary contracts regardless of the nature of those contracts, provided that they are paid in a consistent manner whenever the same kind of work or expertise is required, independently from the source of funding used.

The staff rates must correspond to the Beneficiary's normal remuneration policy (documented by salary grids, long-term work contracts, etc.) and to the rates generally observed in the relevant geographical zone for similar profiles, independently of the source of funding. Failure to comply with this principle may lead to the costs being classified as reckless and excessive expenditure. The difference between the current market rates/rates documented as compliant with the Beneficiary's long-term remuneration policy and the higher rates actually paid may be considered as excessive and ineligible cost.

3.1.2. Time allocated to the implementation of the action

Only real staff time spent on activities explicitly planned in the Grant Agreement may be reported and considered for co-financing.

Where a staff member (or assimilated) is allocated only part of his/her working time to the implementation of the action, only the equivalent part of his/her salary is an eligible cost. This amount cannot exceed the daily/hourly gross cost to the employer multiplied by the number of days/hours worked for the implementation of the action described in Annex I of the Grant Agreement. In these cases the time which each employee spends working on the action, shall be recorded using timesheets or an equivalent time registration system established and certified by the employer.

3.1.3. Non-permanent staff / external persons assimilated to staff

A **natural person** (individual) can be contracted (e.g. a civil contract, a free-lance contract, an expert contract, a service contract with self-employed person ("in house consultant")). The costs of the natural person can be reported under personnel costs (Category A) if the following conditions are met:

- the individual concerned works for the Beneficiary with a contract of employment or an assimilated contract explicitly linking the person to the action;
- the person works under the Beneficiary's instructions/supervision and, unless otherwise agreed with the Beneficiary, on the premises of the Beneficiary;
- the result of the work belongs to the Beneficiary;
- the costs are reasonable and not significantly different from the costs of staff performing similar tasks under an employment contract with the Beneficiary.

Contracts with a **legal person** (e.g. a consultancy firm) would normally be considered as a sub-contract or an implementation contract (Category C or E).

If the same person is contracted/recruited to work on different projects/grants with different contracts but performing similar roles, the rates should not vary from one project/grant to the other.

3.1.4. Staff of a public organisation

The salary cost of permanent staff of a public organisation may be funded only to the extent that they relate to the costs of activities that the public organisation would not carry out if the project concerned was not undertaken.

This applies to all public entities. However it does not apply to staff costs of universities, regardless of their status.

3.1.5. Methods for calculation, time registration systems, supporting documentation

The methods for calculation of direct personnel costs, the requirements related to time registration systems and supporting documentation are provided in the model Grant Agreement (Article 6.2.A) and in the Guidance on Management of Action Grants.

3.2. Direct Travel Costs and Direct Subsistence Costs (Categories B.1 and B.2)

3.2.1. General Rules

Costs may be claimed only for journeys directly connected to specific and clearly identifiable activities of the Grant Agreement. They must be shown to be relevant to the action.

Travel costs related to subcontractors should be included in the subcontractor invoice and therefore declared under category C *Subcontracting*.

Travel and subsistence costs are eligible when:

- They respect the eligibility criteria under Article 6 of the Grant Agreement and the rules on the award of contracts;
- They are reasonable and are charged in accordance with the Beneficiary's usual internal practices on travel costs.

However Beneficiaries shall endeavour to travel in the most economical and environmentally friendly way – video conferencing must be considered as an alternative.

3.2.2. Direct Travel Costs (Category B.1)

Travel costs should include all costs from the point of origin to the point of destination, including transfers to/from airport/train station.

Public transport should be favoured.[8]

For **air travel** the economy fare is accepted.

For **travel by rail**, first class fares are accepted.

If air or rail travel is not economical or not possible, cost for the **use of a car** will be refunded as follows:

- for private vehicles (own and company cars): on the basis of the corresponding (or an equivalent) rail fare - the price of one ticket only will be reimbursed, even where several persons are travelling in the same vehicle); evidence of the corresponding rail fare should be sought at the time of travel and documentation evidencing this (e.g. declaration of costs from a travel agent; on-line quote) should be readily available;
- for hire cars (maximum category B or equivalent) or taxis: the actual cost where this is not excessive compared with other means of travel (also taking account of any influencing factors i.e. time, excessive luggage);
- only where none of the above-mentioned means of calculation can be applied, will a 'rate per km' be considered; where this is the case, a full explanation should be provided as to the reason for the non-application of the above-mentioned means of calculation and full documentation should be readily available to substantiate the rate applied (to include evidence of the 'organisational' or 'national' rates per km and support documentation evidencing payment of the applied rate).

Ex-ante estimations and ex-post calculations of travel costs should be kept on file. The details to be recorded include:

- the name of the traveller
- the reason for travelling (e.g. second project meeting, study visit, etc.);
- the places of origin and destination;
- the number and, if already known, the names of the people travelling;
- the type of travel (e.g. flights, train journeys);
- the cost of travel.

3.2.3. Direct Subsistence Costs (Category B.2)

Subsistence costs cover the costs of accommodation, meals, local travel within the place of mission and sundry expenses).

As for all other costs, subsistence costs must be reasonable, conform to local prices and linked to activities and deliverables explicitly planned in the Grant Agreement. The daily

[8] In exceptional cases where public transport is not available, taxi costs could be accepted. Where several persons travel in the same taxi only one fare can be reported.

amounts per country published under the following webpage give an indication of what will be considered as reasonable: http://ec.europa.eu/europeaid/funding/about-calls-tender/procedures-and-practical-guide-prag/diems_en.

If the place of employment/residence is within 100 km from the venue of the project event, overnight stays will not be accepted. This means that for travel of less than 100 km accommodation costs will not be accepted.

The subsistence costs are eligible on the basis of actual amounts spent or on the basis of a per diem system.

Ex-ante estimations and ex-post calculation must be kept on file. The details to be recorded include:

- the name of the traveller;
- the reason for travelling (e.g. second network meeting, study visit, etc.);
- the place of travel;
- the number and if already known, the names of the people receiving the subsistence allowances;
- the cost per person and per travel.

Additional rules regarding the use of a per diem system (daily allowances):

Per diems, or daily allowances, are fixed amounts per day that cover all subsistence costs.

The system of per diem can be accepted only if the Beneficiary had such a system officially in place before the grant was awarded and if the system is applied systematically independently of the source of funding. The system and the rates per city or country must be applied uniformly, independently of the source of funding.

If the Beneficiary as part of its corporate policy normally operates under a system of per diem (daily allowance), the per diem cannot exceed the maximum amounts per country as set out by the Commission (see hyperlink above). Costs exceeding those thresholds will not be considered eligible for the calculation of the final EU grant.

Unless otherwise specified in the Beneficiary's specific corporate policy in place, the Commission will refer to the following cost composition when assessing costs eligibility:

- 62% of the per diem amount are deemed to cover accommodation. The accommodation part of the per diem is accepted only when an overnight stay is required,

- the remaining 38% are deemed to cover subsistence.

The subsistence part of the per diem is deemed to cover the following expenses:

- Breakfast = 15%;
- Lunch = 30%;
- Dinner = 30%;
- Local transport and sundry expenses = 25%.

Where a common meal or local transport is provided by the Beneficiary during a meeting or event, the following rules must be applied:

- The relevant cost items must be reported under the category E *Other Direct Costs*;

- Where one or more of the persons concerned by the common lunch/dinner (or other service that is otherwise included in the "per diem" amount) also receive the per diem amount, the per diem amount must be reduced proportionally by the percentages indicated above.

Under no circumstances should the relevant amounts be charged to the project twice.

3.3. Direct Costs of Subcontracting (Category C)

Please refer to section 2.4 above for a definition of subcontracting.

The specific rules described under section 3.4 below also apply to goods and services that are subcontracted.

Ex-ante estimations and ex-post calculations of subcontracted costs should be kept on file. The details to be recorded include the name of the sub-contractor, the tasks subcontracted, the amounts, etc.

3.4. Other Direct Costs (Category E)

Other direct costs include publication and dissemination, conference and seminars, consumables and supplies, equipment and infrastructure and any eligible direct costs not covered in the previous categories.

These goods and services must be necessary to implement the action, identifiable and exclusively used for the implementation of the action.

3.4.1. Publications and dissemination

Publication and dissemination costs include costs for editing, translation and printing, as well as costs for website creation and/or maintenance.

Communication activities and publications layout must comply with the provisions set in Article 22 of the Grant Agreement and with the Guidelines on the use of the EU emblem available at: https://ec.europa.eu/info/sites/info/files/use-emblem_en.pdf.

Ex-ante estimations and ex-post calculations of costs should be kept on file. The details to be recorded include:

- Publications:

    - the title of the publication;
    - the reference number of the deliverable in Annex I – Description of the Action;
    - the type of publication (e.g. brochure, leaflet);
    - the language(s) in which the publication was produced;

    - the number of copies printed.

- Translations:

    - the title of the publication;
    - the reference number of the deliverable in Annex I – Description of the Action;
    - the language of origin and destination (e.g. from English into Italian);
    - the number of pages.

Costs for editing, printing, translation, etc. should be reported separately.

3.4.2. Conferences, seminars and other events

Specific costs relating to conferences and seminars organised as part of the action may include: rental of rooms, interpretation, coffee breaks, lunches, seminar materials, etc.

NB: Travel and subsistence allowances incurred by the Beneficiary to cover costs for participants should be included under *Travel*.

Ex-ante estimations and ex-post calculations of costs should be kept on file. The details to be recorded include:

- Renting of rooms:

    - the expected number of participants;
    - the duration of the event (e.g. days, half-days or number of hours);
    - the title of the event in Part B– Project Description and Implementation

- Interpretation:

    - the number of interpreters per day;
    - the number of days of interpretation.
    - the language of origin and destination (e.g. English/French & French/English)
    - the type of unit: days of interpretation.

- Catering:

    - the type of catering costs (e.g. lunch, coffee break);
    - the number of items;
    - the number of participant;
    - the unit rate per participant.

3.4.3. Consumables and supplies

Consumables are goods of a short length of life, not registered as fixed assets in the accounts / inventory and not written off.

As a general rule, they should be identifiable and exclusively used for the implementation of the action.

Detailed ex-ante estimations and ex-post calculations of costs of consumables should be kept on file.

General running costs such as electricity/gas and heating, telephone, fax, internet and e-mail, postal services, bank services and insurance, accounting and legal advice, office supplies and the like are deemed to be covered by the indirect costs. They are not eligible as direct costs.

3.4.4. Equipment, infrastructure and other assets

Costs related to equipment infrastructure and other assets are eligible when:

- The costs respect the eligibility criteria under Article 6.2 of the Grant Agreement.
- The costs are directly linked with the implementation of the action.
- When the asset has not been purchased/rented specifically to implement the action, only the proportion of the cost corresponding to the proportion of utility/surface directly linked with the implementation of the action and with the degree and duration of actual use for the action may be taken into account. (We recommend including a copy of the 'allocation' rules in the project file.)
- The asset is purchased in accordance with Article 9.1 of the Grant Agreement.

Costs of purchase of land and immovable property are ineligible.

When **equipment is purchased**, the cost eligible for co-financing is calculated in accordance with the correct depreciation rate which must be in line with the Beneficiary's national/internal tax and accounting rules.

The equipment must be purchased by the Beneficiary, installed in the Beneficiary's premises, itemised in the Beneficiary's accounting books and bear an inventory number.

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.

Costs of premises rented to implement the action must be documented by a specific rental contract/lease. These types of contract are considered as implementing contracts.

Ex-ante estimations and ex-post calculations of equipment/infrastructure/assets costs should be kept on file. The details to be recorded include: The name of the supplier, the type of equipment, the total amount, the depreciated cost, etc.

3.4.5. Costs not falling under any other category

Typical expenditure concerned by this includes:

- Costs of services (e.g. auditor fees);
- Conference fees;
- Charges for financial transactions; fees for a financial guarantee for pre-financing requested by the Commission;
- Purchase of information materials specific and key to the implementation of the action (books, studies, electronic data);

- Specific press releases and event advertisements (one-off costs);
- Purchase of copyrights and other Intellectual Property Rights (IPR);
- Intellectual property costs connected with the publication of materials e.g. CD-ROMs;
- Other costs stemming from obligations under the Grant Agreement which are not budgeted for under another budget category.

3.5. Indirect Costs (Overheads) (Category F)

Indirect costs are costs that are not directly linked to the action implementation and therefore cannot be attributed directly to it. They are typically water, electricity/gas and heating, telephone, fax, internet and e-mail, postal services, bank services and insurance, accounting and legal advice, office supplies, etc.

A flat-rate amount of 7% of the total eligible direct costs of the action is eligible as indirect costs, representing the Beneficiary's general administrative costs which can be regarded as chargeable to the action.

When preparing the budget, in order to avoid technical problems with the IT submission tool, applicants should include the flat-rate amount of 7% of the total eligible direct costs of the action for all Beneficiaries taking part in the consortium.

However, when preparing the final financial report, Beneficiaries should pay attention that those receiving an operating grant financed by the EU or Euratom budget may not declare indirect costs for the period(s) covered by the operating grant, unless they can demonstrate that the operating grant does not cover any costs of the action.

4. REPORTING AND PAYMENT ARRANGEMENTS[9]

4.1. Payment Arrangements

The Beneficiary may request the following payments provided that the conditions of the grant agreement are fulfilled (payment deadlines, ceilings, submission of reports, etc.). The payment requests shall be accompanied by the documents listed below and detailed in Article 15 of the Grant Agreement:

Payment request	Accompanying documents
A **pre-financing payment** corresponding to: – under the JUSTICE programme: 65% of the maximum grant amount – under the REC programme: 80% of the maximum grant amount	(a) accession forms signed electronically by all beneficiaries (b) where applicable, a pre-financing guarantee: see section 4.2 below

[9] Articles 115, 202, 203 FR

Payment of the balance The Commission will establish the amount of this payment on the basis of the calculation of the final grant amount (see section 5 below). If the total of earlier payments is higher than the final grant amount, the beneficiary will be required to reimburse the amount paid in excess by the Commission through a recovery order.	Final report including: (a) technical report; (b) financial report; (c) certificate on the financial statements and underlying accounts when conditions described in Article 15 of the Grant Agreement are met

In case of a weak financial capacity, section 4.1 of the call notice applies. When the pre-financing payment is reduced or is not provided for in the Grant Agreement, the following additional payments may be provided for in Article 16 of the Grant Agreement:

Payment request	Accompanying documents
a **second pre-financing payment**	Periodic report including: (a) technical report (b) financial report (a) a certificate on the financial statements and underlying accounts when conditions described in Article 15 of the Grant Agreement are met
an **interim payment** For the purpose of determining the amount due as interim payment, the reimbursement rate to be applied to the eligible costs approved by the Commission shall be set in Article 5.2 of the Grant Agreement	Periodic report including: (c) technical report (d) financial report (e) a certificate on the financial statements and underlying accounts when conditions described in Article 15 of the Grant Agreement are met

The total amount of pre-financing and interim payments shall not exceed:

- under the JUSTICE programme: 65% of the maximum grant amount;
- under the REC programme: 80% of the maximum grant amount.

4.2. Pre-financing guarantee[10]

A pre-financing guarantee for up to the same amount as the pre-financing may be requested in order to limit the financial risks linked to the pre-financing payment.

The financial guarantee, in euro, shall be provided by an approved bank or financial institution established in one of the EU Member States. When the beneficiary is established in a third country, the Commission may agree that a bank or financial institution established in that third country may provide the guarantee if it considers that the bank or financial institution offers equivalent security and characteristics as those offered by a bank or financial institution established in a Member State. Amounts blocked in bank accounts shall not be accepted as financial guarantees.

The guarantee may be replaced by:

- a joint and several guarantee by a third party or,
- a joint guarantee of the beneficiaries of an action who are parties to the same grant agreement.

The guarantee shall be released as the pre-financing is gradually cleared against interim payments or the payment of the balance, in accordance with the conditions laid down in the grant agreement.

5. CALCULATION OF THE FINAL GRANT AMOUNT

The final amount of the grant is calculated by the Commission at the time of the payment of the balance as set out in Article 15.4 of the Grant Agreement. The calculation involves the following four steps:

Step 1: Application of the reimbursement rate to the eligible costs

The amount under step 1 is obtained by applying the reimbursement rate specified in Article 5.2 of the Grant Agreement to the eligible costs declared by the Beneficiaries and accepted by the Commission as eligible.

Step 2: Limit to the maximum amount of the grant

The total amount paid to the Beneficiaries by the Commission may in no circumstances exceed the maximum amount of the grant as indicated in Article 5.1 of the Grant Agreement. If the amount obtained following Step 1 is higher than this maximum amount, the final amount of the grant is limited to the latter.

Step 3: Reduction due to the no-profit rule

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

The total eligible costs of the action are the consolidated total eligible costs approved by the Commission.

[10] Article 152 FR

The total receipts of the action are the consolidated total receipts established, generated or confirmed on the date on which the request for payment of the balance is drawn up by the Beneficiary.

The following are considered receipts:

(a) income generated by the action;

(b) financial contributions given by third parties to a Beneficiary, if they are specifically assigned by the third parties to the financing of the eligible costs of the action co-financed by the Commission.

The following are not considered receipts:

(a) financial contributions by third parties, if they may be used to cover costs other than the eligible costs under the Grant Agreement;

(b) financial contributions by third parties with no obligation to repay any amount unused at the end of the implementation period.

If there is a profit, it will be deducted in proportion to the final rate of reimbursement of the actual eligible costs of the action approved by the Commission.

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

The Commission may reduce the maximum amount of the grant if the action has not been implemented properly (i.e. if it has not been implemented or has been implemented poorly, partially or late), or if another obligation under the Grant Agreement has been breached.

The amount of the reduction will be proportionate to the degree to which the action has been implemented improperly or to the seriousness of the breach.