
Step 3: Check the financial conditions

Types of grant

The grant may be any of the following types¹:

- reimbursement of a specified proportion of the eligible costs actually incurred: e.g. the amount awarded under the framework of Strategic Partnerships to cover additional costs linked to the participation of persons with special needs;
- reimbursement on the basis of contribution to unit costs: e.g. the amount awarded for the individual support in the framework of mobility projects in the field of education, training and youth;
- lump sums: e.g. the amount awarded to contribute to the implementation of complementary activities under Jean Monnet Projects;
- flat-rate financing: e.g. the amount awarded to cover indirect costs for not-for-profit sport events;
- a combination of the above.

The financing mechanism applied under the Erasmus+ Programme in most cases provides grants based on the reimbursement on the basis of contribution to unit costs. These types of grant help applicants to easily calculate the requested grant amount and facilitate a realistic financial planning of the project.

To know which type of grant is applied to each funding item under each Erasmus+ Action covered by this Guide, please see the column "financing mechanism" in the "funding rules" tables in Part B.

Principles applying to EU grants

Non retroactivity

No EU grant may be awarded retroactively for projects already completed.

An EU grant may be awarded for a project which has already begun only where the applicant can demonstrate, in the project proposal, the need to start the project before the grant agreement has been signed or the grant decision has been notified. In such cases, the costs eligible for financing must not have been incurred prior to the date of submission of the grant application.

If the applicant starts implementing the project before the grant agreement is signed or the grant decision is notified, this is done at the risk of the applicant.

Non-cumulative award

Each project financed by the EU is entitled to receive only one grant from the EU budget to any one

beneficiary. In no circumstances shall the same costs be financed twice by the Union budget.

To avoid the risk of double-funding, the applicant must indicate in the relevant section of the application form, the sources and the amounts of any other funding received or applied for in the year, whether for the same project or for any other project, including operating grants.

Identical or very similar applications - submitted by the same applicant or by other partners of the same consortium - will be subject to a specific assessment in order to exclude the risk of double funding and may all be rejected.

Multiple submissions

For decentralised actions managed by the Erasmus+ National Agencies, applications which are submitted twice or more times by the same applicant or consortium, either to the same Agency or to different Agencies will all be rejected. Where the same or very similar applications are submitted by different applicants or consortia, they will be subject to a specific assessment and may all be rejected.

No-Profit and Co-financing

A grant financed from the Union budget must not have the purpose or effect of producing a profit within the framework of the project carried out by the beneficiary. Profit is defined as surplus calculated at the payment of the balance, of receipts over the eligible costs of the action or work programme, where receipts are limited to the Union grant and the revenue generated by that action or work programme². The no-profit principle does not apply to grants provided in the form of a unit cost, a lump sum or a flat-rate financing, including scholarships, neither to grant requests that do not exceed 60 000 EUR. For the purpose of calculating the profit generated by the grant, co-financing in the form of contributions in kind will not be taken into account.

Furthermore, an EU grant is an incentive to carry out a project which would not be feasible without the EU financial support, and is based on the principle of co-financing. Co-financing implies that the EU grant may not finance the entire costs of the project; the project must be funded by sources of co-financing other than the EU grant (e.g. beneficiary's own resources, income generated by the action, financial contributions from third parties).

When the EU grant is provided in the form of a unit cost, a lump sum or a flat-rate financing - this is the case for most of the Actions covered by this Guide - the principles of no-profit and co-funding are ensured by the Commission for the Action as a whole in advance when it defines the rates or percentages of such units, lump sums and flat-rates. The respect of the no-profit and co-financing principles is generally assumed and therefore, applicants do not have to provide information about sources of funding other than the EU grant, nor they have to justify the costs incurred by the project.

However, the payment of the grant based on the reimbursement on the basis of contribution to unit costs, lump sums, or flat-rate financing is without prejudice to the right of access to the beneficiaries' statutory records. Where a check or audit reveals that the generating event has not occurred (e.g. project activities not realised as approved at application stage, participants not taking part in the activities, etc.) and an undue payment has been made to the beneficiary on a grant based on the reimbursement on the basis of contribution to unit costs, lump sums, or flat-rate financing, the National or Executive Agency shall be entitled to recover up to the amount of the grant. Similarly, if the activities undertaken or the outputs produced are of insufficient quality, the grant may be reduced partly or in full even if the activities have taken place and are eligible.

In addition, for statistical and monitoring purposes the European Commission may carry out surveys on samples of beneficiaries aimed at quantifying the actual costs incurred in projects funded based on the reimbursement on the basis of contribution to unit costs, lump sums, or flat-rate financing.

Specific provisions applying to grants paid on the basis of reimbursement of a specified portion of eligible costs

When the EU grant is provided as a reimbursement of a specified portion of eligible costs, the following provisions apply:

Eligible costs

An EU grant must not exceed an overall amount which is established by the National or Executive Agency at the time of the project selection on the basis of the estimated eligible costs indicated in the application form. Eligible costs are costs actually incurred by the beneficiary of a grant which meet all of the following criteria:

- they are incurred during the lifetime of the project, with the exception of costs relating to final reports and audit certificates;
- they are indicated in the estimated overall budget of the project;
- they are necessary for the implementation of the project which is the subject of the grant;
- they are identifiable and verifiable, in particular being recorded in the accounting records of the beneficiary and determined according to the applicable accounting standards of the country where the beneficiary is established and according to the usual cost accounting practices of the beneficiary;
- they comply with the requirements of applicable tax and social legislation;
- they are reasonable, justified, and comply with the principle of sound financial management, in particular regarding economy and efficiency.
- They are not covered through EU grants in the form of contribution to unit costs, lump sums or flat-rate financing.

The following categories of costs are also considered eligible:

- costs relating to a pre-financing guarantee lodged by the beneficiary of the grant, where that guarantee is required by the National or Executive Agency;
- costs relating to certificates on the financial statements and operational verification reports where such certificates or reports are required in support of the requests for payments by the National or Executive Agency;
- depreciation costs, provided they are actually incurred by the beneficiary.

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

Value Added Tax (VAT)

Value added tax will be considered as an eligible cost only if it is not recoverable under the applicable national VAT legislation³. The only exception relates to activities or transactions in which states, regional and local government authorities and other public bodies engage as public authorities⁴. In addition:

- deductible VAT not actually deducted (due to national conditions or to the carelessness of beneficiaries) is not eligible;
- the VAT Directive does not apply to non EU countries. Organisations from Partner Countries can be exempted from taxes (including VAT), duties and charges, if an agreement has been signed between the European Commission and the Partner Country where the organisation is established.

Eligible indirect costs

For certain types of projects (for details of the funding rules for Actions, please consult Part B of this Guide) a flat-rate amount not exceeding 7% of the eligible direct costs of the project is eligible under indirect costs, representing the beneficiary's general administrative costs which are not already covered by the eligible direct costs (e.g. electricity or Internet bills, cost for premises, etc.) but which can be regarded as chargeable to the project.

Indirect costs may not include costs entered under another budget category. Indirect costs are not eligible where the beneficiary already receives an operating grant from the Union budget (for example in the framework of the call for proposals on Civil Society Cooperation under the Erasmus+ Programme).

Ineligible costs

The following costs shall not be considered eligible:

- return on capital;
- debt and debt service charges;
- provisions for losses or debts;
- interest owed;
- doubtful debts;
- exchange losses;
- VAT, when it is considered as recoverable under the applicable national VAT legislation (see above paragraph on Value Added Tax);
- costs declared by the beneficiary and covered by another project or work programme receiving an EU grant (see also above paragraph on eligible indirect costs);
- excessive or reckless expenditure;
- contributions in kind;
- in the case of renting or leasing of equipment, the cost of any buy-out option at the end of the lease or rental period;
- costs of opening and operating bank accounts (including costs of transfers from/to the National or Executive Agency charged by the bank of the beneficiary).

Sources of financing

The applicant must indicate in the application form the contribution from sources other than the EU grant. External co-financing may take the form of the beneficiary's own resources, financial contributions from third parties or income generated by the project. If, at the time of the final report and request of payment of the balance, there is evidence that there is a surplus of the income (see section on No-profit and Co-financing) over the eligible costs incurred by the project, the National Agency or Executive Agency is entitled to recover the percentage of the profit corresponding to the Union contribution to the eligible costs actually incurred by the beneficiary to carry out the project. This provision does not apply to projects requesting a grant that does not exceed 60 000 EUR.

Contributions in kind are not considered as a possible source of co-financing.

-
1. COMMISSION DECISION C(2013)8550 of 04 December 2013 on "The use of lump sums, the reimbursement on the basis of unit costs and the flat-rate financing under the "Erasmus+" Programme", (http://ec.europa.eu/dgs/education_culture/more_info/awp/docs/c_2013_8550.pdf)
 2. To this aim, the receipts are limited to income generated by the project, as well as financial contributions specifically assigned by donors to the financing of eligible costs. The profit (or the loss) as defined above is then the difference between:
 - the provisionally accepted amount of the grant and the income generated by the action and
 - the eligible costs incurred by the beneficiary.

In addition, whenever a profit is made, it will be recovered. The National Agency or Executive Agency are entitled to recover the percentage of the profit corresponding to the Union contribution to the eligible costs actually incurred by the beneficiary to carry out the action. Further clarifications on the calculation of the profit will be provided for actions for which grants take the form of reimbursement of a specified proportion of eligible costs.

3. In the Member States the VAT national legislation translates the VAT Directive 2006/112/EC.
4. See article 13(1) of the Directive.

