



Information Measures relating to the Common Agricultural Policy Programme (IMCAP)

Guide for Applicants

Version 2.0
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IMPORTANT NOTICE


The **Guide for Applicants** is a general user guide that aims to explain to **applicants** and **beneficiaries** the main rules that apply to the evaluation of their proposals and management of their EU grants.

It covers action grants awarded under the:


- **Support for Information Measures relating to the Common Agricultural Policy Programme (IMCAP)**

managed by the European Commission, Directorate-General for Agriculture and Rural Development, through the [EU Funding & Tenders Portal](#) ('Portal').

It is designed to be your main **practical reference** for preparing and submitting your proposal and – if successful – for managing your grant.

 *As far as possible, please try to find the answers you need yourself (we have limited resources for handling direct enquiries).*

All terms are explained in the [Glossary](#).

Details on processes and procedures are described in the [Online Manual](#). The Online Manual also contains FAQs and detailed instructions for the Electronic Exchange System .

A complete list of reference documents (including legislation, work programme and templates) can be found on [Portal Reference Documents](#).

Contacting us directly

If necessary, you can also contact us (via agri-grants@ec.europa.eu or, for IT questions, the [IT Helpdesk](#)).

HISTORY OF CHANGES		
Version	Publication date	Changes
1.0	30.10.2019	<ul style="list-style-type: none">▪ Initial version.
2.0	30.10.2020	<ul style="list-style-type: none">▪ Added reference to Brexit/UK▪ Version for publication (call 2021)

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1. Legal framework

If you are in any doubt about any issues mentioned in this guide, the legally binding rules and conditions for the calls are in the following documents:

- Regulation 2018/1046 ([EU Financial Regulation](#))
- the basic act ([CAP Regulation No 1306/2013](#))
- the EU work programmes (available on [Portal Reference Documents](#))
- for each call: the call documents (available on [Portal Reference Documents](#))
- the model grant agreements (available on [Portal Reference Documents](#)).

2. Projects that will be funded – Eligibility conditions – Admissibility requirements – Exclusion grounds – Operational and financial capacity requirements – Award criteria

The types of projects and activities that will be funded are set out in the EU work programme and call document.

Eligibility conditions, admissibility requirements, exclusion grounds, operational and financial capacity requirements and award criteria are explained in the call document.

3. Participants: Roles & responsibilities

Applicants are jointly responsible for their proposal. Each organisation is responsible for submitting correct information in the proposal. The coordinator submits the proposal on behalf (and in the name of) all applicants.

After grant signature, they become **jointly responsible** for implementing the project activities (in accordance with part B of the proposal which becomes an annex to the grant agreement if the project is selected for funding). If a project is not finished, the grant may have to be reduced for everyone.

For consortia, the **coordinator** is responsible for managing the project, submitting reports and deliverables and acting as intermediary for all contacts with us.

The **other beneficiaries** must implement their part of the project and contribute to the formal and administrative grant obligations (*e.g. reporting, etc*).

Your project may involve certain types of **third parties** to help with the project activities (*linked third parties/affiliated entities, subcontractors, third parties giving in-kind contributions, partner organisations, etc*).

Linked third parties¹ (if allowed in the call document) can participate fully in the grant, i.e. implement a part of the project in their own name and claim their own costs. They are in practice very similar to beneficiaries (except that they do not sign the grant agreement).

Both beneficiaries and linked third parties can use subcontractors to implement certain parts of the project (and charge the price paid to the the subcontractor to the grant).

Moreover, they can also rely on in-kind contributions by third parties (if against payment, they can be charged as project costs; if for free they will be cost-neutral, i.e. can NOT be declared as project cost).

¹ Important information about acceptance of Linked Third Parties are included in the call document.

⚠️ If you use third parties, they and their contribution must be mentioned (and justified) distinctly in Part B of your application.

⚠️ Your consortium set-up must follow the roles of our grant agreements. Participants should be attributed their roles according to their real contribution to the project. The main actors should be the beneficiary and the Linked Third Parties (if any). All other roles should perform secondary tasks.

This means for instance that:

- linked third parties — are allowed to *fully* participate in the action, like the beneficiary they are linked to; they will therefore be treated for many issues like beneficiaries; beneficiaries are fully liable for their linked third parties
- subcontracting —
 - beneficiaries/linked third parties may NOT subcontract tasks to other beneficiaries/linked third parties
 - core tasks of the project may NOT be subcontracted (generally subcontracting of 40% of the total eligible cost or more will be subject to specific justification, unless specified otherwise in the call document)
- coordination tasks — the key coordination tasks listed in the grant agreement may NOT be subcontracted (or delegated to another beneficiary); they may however be performed by a linked third party of the coordinator
- in-kind contributions between beneficiaries/linked third parties — if beneficiaries/linked third parties give in-kind contributions to other beneficiaries/linked third parties, their cost can normally simply be declared by the contributing beneficiary/linked third party (if the contributions are particularly important for the project, it may however make sense to specifically mention them in the description of the action)

⚠️ In the interests of equal treatment during the evaluation, you must NOT change your consortium set-up after you have submitted your project proposal.

⚠️ **Operating grants** — Operating grants are by definition mono-beneficiary grants without linked third parties (NOT allowed). Otherwise the same third party rules apply as for action grants (subcontracting, in-kind contributions, etc).

⚠️ **FPA/SGA** — The consortium composition must be identical at FPA and SGA level; partners/linked third parties that do not want to actively participate in a specific action may however participate as silent partners ('partners not carrying out action tasks').

4. Type of grant


The grant is a **reimbursement of eligible costs grant (actual costs grant)**.


This means that it reimburses ONLY the costs you *actually* incur for your project (NOT the *budgeted* costs).

The costs will be reimbursed at the **reimbursement rate** and up to the **maximum grant amount** fixed in the grant agreement.

The grant will be **paid out** in one or more parts:

- pre-financing payment(s) (*if foreseen in the grant agreement*) — designed to provide beneficiaries with a float; normally paid at the beginning of the project
- interim payment(s) (*if foreseen in the grant agreement*) — reimburse costs incurred for project implementation (during the corresponding reporting period); paid on receipt and approval of the periodic report
- payment of the balance — reimburses the outstanding part of the costs incurred for the project implementation; calculated as the difference of total amount due and payments already made; paid on receipt and approval of the final report.

 If the total amount of earlier payments is greater than the final grant amount, we will have to recover the difference (i.e. you will have to pay back money).

 **Types of grants** — The standard format for EU grants are **action grants** (grants for implementing a project). Exceptionally, our grants support however **actions by invitation** (closed calls), functioning of organisations (**operating grants**) or grants embedded into long-term **framework partnerships**.

5. How to submit your proposal

All proposals must be submitted directly online via the Portal Submission System. *Paper applications are no longer accepted.*

The **submission process** is explained in the [Funding & Tenders Portal Online Manual](#) (together with detailed instructions for the IT tool).

Submission is a 2-step process:

- a) **register your organisation**
- b) **submit the proposal** — in 3 parts, as follows:
 - Part A includes administrative information about the applicant organisations (future coordinator and beneficiaries) and the summarised budget for the proposal
Fill in directly online.
 - Part B (description of the action) covers the technical content of the proposal.
Fill in the word template and upload as PDF file.
 - Annexes & supporting documents (*if required in the call document*).
Upload as PDF files.

The proposal must be submitted before the **call deadline** (specified in the call document). If you miss the deadline, your proposal will be automatically disregarded by the system and considered not to have been submitted.

The proposal must keep to the **page limits** (specified in the proposal form); excess pages will be disregarded.

Documents must be uploaded to the **right category** (otherwise your proposal might be incomplete and so inadmissible).

You can submit your proposal in any official EU language. **However, for reasons of efficiency, we strongly advise you to use English.** If you need the call document in another official EU language, please submit a request (within 10 days after call publication via the contact information mentioned in the call for proposals). Please note that if selected for funding, any beneficiary will be invited to sign a grant agreement with the European Commission. Such grant agreement is only in English. All correspondence and reporting will be in English only. For the preparation of the grant agreement, the beneficiary will be requested to provide a complete 'Description of the Action' in English language.

⚠ We strongly advise you to complete your proposal **sufficiently in advance** of the deadline, to avoid any last minute problems. Any technical problems due to last minute submissions (*e.g. congestion, etc.*) will be at your risk. The call deadline will NOT be extended.

⚠ Even though you can save successive versions of your application as you go, we encourage you to preview the proposal templates before starting the online submission process (*sample text can be downloaded from the Portal Reference Documents*).

⚠ To complete part A, all applicants must be **registered** in the [Participant Register](#) and have communicated their PIC to the coordinator. Linked third parties must also register, but later on during grant preparation. Subcontractors or in-kind contributors do NOT need to register.

⚠ You may submit several proposals (and an organisation may participate in several applications), however those proposals must be for *different* projects.

If you have made several applications for the same project, you will be asked to clarify which application you would like us to evaluate (projects may normally receive only one grant from the EU budget).

⚠ If you submit Part B of the proposal in a **language** other than English, please write your abstract/project summary (both in Part A and in Part B) in English.

⚠ **Actions by invitation** — Please note that for actions by invitation NO call is published on the Portal (no Call Topic page). All information will be communicated directly to the applicants (by email).

5.1 Preparing your submission

You must do 3 things before submitting your application:

- read the key background documents: call document
- create an EULogin user account (if you don't already have one; former ECAS account)
- register your organisation in the Participant Register.

Read the background documents

Check whether:

- your project falls within the scope of the call/topic
- your organisation/proposal meets the eligibility criteria

and inform yourself about the:

- award criteria
- financial and operational capacity requirements

- exclusion criteria
- admissibility conditions (e.g. call deadline, page-limits, etc.)
- other (e.g. pre-financing guarantees).

Create a user account


To use the Funding & Tenders Electronic Submission System (the only way to apply), all participants need to [create an EULogin user account](#).

Register your organisation in the Participant Register


Once you have an EULogin account, you can [register your organisation](#) in the Participant Register.

When your registration is finalised, you will receive a 9-digit participant identification code (PIC). You will need the PIC numbers (for the coordinator and the other applicants) to complete Part A of the application. PICs of linked third parties are not needed at this stage (they will have to register later on).


The person who registered the organisation can submit updates and corrections (including supporting documents) at any point before the call deadline (afterwards this can be done only by the legal entity appointed representative (LEAR)).

 You don't need to complete the registration process in a single session. You can enter some information, save it and continue later.

5.2 How to fill out your application

 To give your proposal the best chance of being selected for funding, make sure it is:

- **relevant** — address the relevant priorities of the call
- **complete** — include all the relevant information; follow closely the format of the template in part B and ensure you upload all the information requested
- **clear & concise** — don't interpret completeness as a requirement to include as much information (and words) as possible; your proposal must also be easy to understand, precise and focused on substance; respect the page limit; do not repeat information
- **management-focused** — clearly indicate the resources you will allocate to managing the intended activities, especially financial management (ensuring the funding you are requesting will be adequate to finance the planned activities)
- **results/impact-oriented** — clearly show the results that will be achieved, and how you intend to disseminate/use them; include a sound and credible evaluation plan, not only focusing on process evaluation, but also looking at outcomes.


 **Operating grants & FPA/SGAs** — Operating grants and FPAs/SGAs have slightly different proposal forms, but the overall idea is the same: we need a detailed description in order to evaluate the quality of the proposal and whether it complies with all the conditions for funding.

Part A – Administrative forms

Part A of the Proposal Template must be filled out directly online.

List of Participants

This section should list the organisations that wish to participate as beneficiaries. Other participants (linked third parties, subcontractors, etc.) should only be mentioned in Part B of the Proposal Template.

 All applicants must also register in the Participant Register before proposal submission. Linked third parties can register later on (during grant preparation). Other third parties (subcontractors, in-kind contributors) do not need to register.

Contact details

Please make sure the e-mail address you give is correct, working, and checked on a regular basis — we may have to contact you for more information, when evaluating your proposal.

Budget overview table

The budget overview table (in Part A of the Proposal Template) should show the total *estimated* expenditure and receipts for each applicant, per budget category.

Column	Budget category
A	Direct personnel costs <i>Indicate costs for personnel (salaried or inhouse consultant). Include only persons working on the action (and only for their estimated time of work on the action).</i>
B.1, B.2	Direct costs of travel & subsistence <i>Indicate costs for travels.</i>
C	Direct costs of subcontracting <i>Indicate costs for subcontracted action tasks.</i>
D	Costs of financial support to third parties <i>Not applicable</i>
E	Other direct costs <i>Include costs for equipment, consumables, conferences, publications and other goods and services, provided they are not for subcontracted action tasks.</i>
F	Indirect costs <i>Automatically calculated (at the indirect cost flat-rate set out in the call document)]</i>
G	Total costs <i>Automatically calculated.</i>

H	<p>Receipts</p> <p><i>Indicate project-generated income and financial contributions from third parties that are specifically to be used to cover eligible costs.</i></p> <p>⚠ <i>NO need to declare receipts if your proposal is:</i></p> <ul style="list-style-type: none"> - <i>below 60 000 EUR requested grant amount (low value grants)</i> - <i>implemented by non-profit organisations only (i.e. all beneficiaries and linked third parties are non-profit organisations)</i> - <i>for calls with the objective to reinforce the financial capacity of the beneficiaries</i> - <i>for calls where where the continuity of the projects after their end is to be ensured by the income generated by them</i> - <i>for studies, research or training scholarships paid to natural persons or for other forms of direct support to natural persons most in need</i> - <i>for pure lump sum or unit cost grants (no actual costs)</i>
I	<p>Reimbursement rate</p> <p><i>Pre-filled (at the reimbursement rate set out in the call document).</i></p>
J	<p>Maximum EU contribution</p> <p><i>Automatically calculated.</i></p>
K J	<p>Requested EU contribution</p> <p><i>Indicate the amount of EU funding you would like to have for the project.</i></p>

Only the white cells of the budget table in the Submission System need to be filled in (the grey cells are not applicable or automatically filled by the system).

The budgeted costs should be based on a detailed and accurate estimation of your estimated project costs (based on the cost eligibility rules set out in Article 6 of the grant agreement and Appendix 1 to this guide).

They should include *all* your estimated costs (including those of your linked third parties).

You may include only *eligible* costs (i.e. costs that fulfil the eligibility conditions).

Keep your estimates on file – you may be required to produce them later on.

Part B – Description of the action (DoA)

Project summary, context & needs analysis, aim & objectives, methodology

These sections should address the award criteria set out in the call document and include a pitch for the project, its context, aims and objectives and methodology.

Work packages & activities

All project activities must be grouped in a logical, consistent and structured way into separate **work packages**.

All work packages must present a clear, logical link to the project objectives and to the other work packages.

Ideally, each work package should constitute a **sub-part of the project (tasks)**, a step leading to the achievement of the project's overall goals.

Each project must have **at least 2** work packages:

- work package 1 – management and coordination activities
- work package 2 – outputs related to the project goals.

Beyond that, create only as many as you need. Don't use too many work packages; try to limit them to 5 or 6.

For **work package 1**, enter all activities related to the general management and coordination of the project (and any activities that do not relate to any of the work packages leading to a specific result, but which are directly linked to the project as a whole).

 You are strongly advised to limit the costs of management and coordination to the minimum necessary.

Most of your project spending should be on the activities needed to achieve the project results.

For the **other work packages**, describe for each work package:

- its objective(s)
- the activities to be implemented — *in specific terms*
- the (tangible and intangible) output(s) to be produced.

Concerning the outputs:

1. Distinguish between milestones and deliverables:

- milestones: control points in the project that help to chart progress (*e.g. kick-off meetings, steering committees, first-draft of a survey, prototype, etc.*)
- deliverables: outputs to be submitted to the EU (*e.g. publication, leaflet, progress report, etc.*)

2. Be as specific as possible, *e.g.*:

- *events* — the number of events, title, content, duration, number of participants, etc.
- *publications* — number of pages, language, format (*e.g. printed/electronic*), number of printed copies (*in each language*), etc.

3. Be realistic about what you can achieve within the project duration. The scope of your project should be large enough to make a difference, but it doesn't need to produce an excessively high number of outputs.

4. If relevant, outputs can also be internal (i.e. necessary for managing/coordinating/monitoring the project) or refer to intermediate stages of the project (*e.g. questionnaires for a survey whose results will be a final outcome*).

Annexes & supporting documents

 Use the forms provided inside the Submission System (not the documents available on Portal Reference Documents or the Call Topic page — they are only for information).


Please be aware that if your proposal is successful, you will be asked to submit further documents later on (*e.g. detailed budget table, financial documents, legal entity validation documents, LEAR appointment documents, etc.*).


Detailed budget table (required in the call document)


The detailed budget table (annex to Part B) should show the detailed budget breakdown of the estimated costs in the Part A budget overview table.


It will be taken into account for the evaluation (cost efficiency).

The itemised expenditure should match the project activities described in Part B and linked to the work packages for which they will be used.

 The detailed budget table must be in line with the amounts entered into the Proposal Part A budget overview table.

 Please be aware that the *order* and *numbering* of the cost categories in Part A is slightly different from the detailed budget table. This is because the detailed budget table already follows the budget categories of the grant agreement (to avoid having you fill it out twice).

 You should budget **ONLY** eligible costs (*see the grant agreement and the Appendix 1 to this guide*).

 Keep your estimates on file (you may be required to produce them later on).

Technical instructions for the detailed budget table:

Sheets 3 and 4 have to be completed by each beneficiary/linked third party in separate excel documents. Sheet 5 should be filled in by the coordinator manually — after having all the information by the other beneficiaries.

Combine into a single PDF:


1. Save sheets 3 and 4 into one PDF per beneficiary/linked third party (choose sheets via 'Options' when saving as PDF)
2. Save sheets 3, 4 and 5 into a PDF for the coordinator.
3. Combine into a single PDF for upload (using Adobe Acrobat or the Preview App on Apple Macs).
4. Upload in the system (do NOT upload the excel files).

CVs (if required in the call document)

Provide CVs for the core project team (these are the key staff you have listed in the relevant section of part B and may include outside experts, if key to your proposal).

You can submit CVs in any format — though we strongly recommend you use the [Europass format](#).

As far as possible, upload them in a single PDF file, rather than individually.

 If nobody has yet been recruited for a key job at proposal stage, please provide a description of the profile or job.

Activity report of last year (if required in the call document)



This report should describe your organisation's activities for the last year.

It should be detailed enough to allow us to check your organisation's aims and activities and its operational and professional capacity.

No finalised annual report yet? Submit the draft version, certified by your organisation's legal representative.

No report of this type available? Create one for this application and have it certified by your legal representative.

Online versions — If your report is available on your website, you can just provide a link (directly to the document(s), not simply to the homepage) and indicate the link(s) on a separate sheet and upload it as annex (PDF format).

-  The following organisations do NOT have to provide a report:
- applicants that are a public body (i.e. established as public body under national law, e.g. public authorities at local, regional or national level; university).
-  It is your responsibility to ensure the links are correct and working.

Other annexes

For other annexes, consult the call document.

5.3 Help


As far as possible, ***please try to find the answers you need yourself***, in this and the other documentation (we have limited resources for handling direct enquiries):

- [Funding & Tenders Portal Online Manual](#)
- [FAQs on the Call Topic page](#) (for call-specific questions in open calls; not applicable for actions by invitation)
- [Portal FAQ](#) (for general questions)

Please consult the Call Topic page regularly, since we will publish new information (e.g. call updates).


If you feel you have no other option, you can contact us as follows:

- [IT Helpdesk](#) — for technical questions about the Portal Submission System (*forgotten passwords, access rights and roles, technical aspects of proposal submission, etc.*).
- Other questions — use our mailbox: agri-grants@ec.europa.eu

-  Questions on submission must be:
- sent at the **latest 7 days** before the submission deadline
 - indicating clearly the reference of the call/topic you are interested in or applying to (*see call document cover page*).

5.4 Submission — Acknowledgement of receipt — Complaints

Once the proposal is submitted, you will receive a confirmation e-mail (with date and time of your application).


-  If you do not receive this email, it means your proposal has NOT been submitted.
- If you believe this is due to a fault in the Electronic Submission System, you should immediately file a complaint via the [IT Helpdesk](#), explaining the circumstances and attaching a copy of the proposal (and, if possible, screenshots to show what happened).

6. Information on the evaluation results – Complaints

After submission, you will normally not hear from us until after evaluation – unless we need to clarify matters such as eligibility or request additional information.

We will check eligibility and admissibility and evaluate your proposal against the award criteria set out in the call document.

Proposals that do not pass the evaluation will receive a letter at the end of evaluation.

 To ensure equal treatment for all applicants, we can NOT answer any questions on the outcome of the call before the evaluation is completed.

If you believe that the evaluation procedure was flawed you will be able to submit a complaint (following the deadlines and procedures set out in the evaluation result letter). Please note that notifications which have not been accessed within 10 days after sending are considered to have been accessed and that deadlines will be counted as from this day.

7. Preparing your grant agreement & final legal checks

Successful proposals will be invited to prepare the grant agreement directly online in the Portal (so-called 'grant preparation').

At the same time, you will be requested to submit your financial data and appoint your LEAR and we will finalise the mandatory legal checks (legal entity validation, operational and financial capacity, exclusion and double funding).

If all requirements are fulfilled, you will receive an invitation to sign your grant agreement (signature first by the coordinator on behalf of the consortium and then by the EU). The other beneficiaries must then accede to the grant agreement by signing an Accession Form (also directly in the Portal).

 Our model grant agreement clauses are mandatory and the same for all beneficiaries.

8. Managing your grant

Your grant will be managed exclusively via the the Portal Grant Management System. *Paper or e-mail communications are no longer accepted.*

The system will prompt any action on your side via e-mail notifications.

For a successful proposal implementation, we mainly require the following:

- **implement** the **project** as described in the description of the action (DoA – Annex 1 of your grant agreement)

and

- **report** regularly by filling out the information in the:
 - Portal Continuous Reporting Module — always open (*for submission of deliverables and reporting on milestones, critical risks, summary for publication etc.*)
 - Portal Periodic Reporting Module — open only at the end of the reporting period(s) (*for final report*)

Proper project implementation will allow us to process your reports quickly and make the **payments** provided for in the grant agreement.

⚠️ Payments will be made exclusively to the beneficiary (who must distribute it without delay).

⚠️ You will be prompted to submit a financial statement to request payment of the costs incurred during the reporting period.

⚠️ You should declare **ONLY** the eligible costs *actually* incurred for the project implementation (NOT the *budgeted* costs or other ineligible costs; see *the grant agreement and the Appendix 1 to this guide*).

⚠️ Budget transfers may be subject to ceilings/limitations (*see the grant agreement*). Beyond those ceilings/limits, you will have to request a formal amendment.

⚠️ Bear in mind that certain obligations under the grant agreement depend on your share in the estimated budget (*e.g. liability for consortium debts, grant reductions etc*). It is therefore generally advised to request an amendment towards the end of the action, to align the estimated budget to the project implementation.

⚠️ Keep your calculations on file (you may be required to produce them later on and during an audit you will have to show how each cost item you declared can be reconciled with your accounts).

⚠️ **IMPORTANT**

This appendix is written for normal EU **action grants**. Although the cost eligibility rules for EU **operating grants** are essentially the same, please cross-check with your grant agreement in order to see the differences (*e.g. no distinction between direct and indirect costs; rules on double funding etc*). For **FPAs/SGAs**, the cost eligibility rules are the same, but at SGA-level.

GENERAL CONDITIONS

ARTICLE 6 — ELIGIBLE AND INELIGIBLE COSTS

6.1 General conditions for costs to be eligible

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

(a) **for actual costs:**

- (i) they must be actually incurred by the beneficiary;
- (ii) they must be incurred in the period set out in Article 3, with the exception of costs relating to the submission of *[OPTION for actions with several RPs and interim payments: the periodic report for the last reporting period and]* the final report (see Article 15);
- (iii) they must be indicated in the estimated budget set out in Annex 2;
- (iv) they must be incurred in connection with the action as described in Annex 1 and necessary for its implementation;
- (v) they must be identifiable and verifiable, in particular recorded in the beneficiary’s accounts in accordance with the accounting standards applicable in the country where the beneficiary is established and with the beneficiary’s usual cost accounting practices;
- (vi) they must comply with the applicable national law on taxes, labour and social security, and
- (vii) they must be reasonable, justified and must comply with the principle of sound financial management, in particular regarding economy and efficiency;

(b) **for unit costs:** *[OPTION 1: not applicable;]*

[OPTION 2 if unit costs apply:

- (i) *they must be calculated as follows:*

{amounts per unit set out in Annex 2a

multiplied by

the number of actual units};

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

- *the units must be actually used or produced in the period set out in Article 3;*
- *the units must be necessary for implementing the action or produced by it, and*
- *the number of units must be identifiable and verifiable, in particular supported by records and documentation (see Article 13);]*

(c) **for flat-rate costs:**

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

(d) **for lump sum costs:** not applicable.

[...]



1. Eligible costs

The grant can **only** reimburse **eligible costs** (i.e. costs that comply with the general and specific conditions set out in this Article) (**'reimbursement of eligible costs grant'**).

⚠️ ONLY **eligible costs** may be entered into the estimated budget for the action (*see Article 4*) and declared in the financial statements (*see Article 15*).

Record-keeping & burden of proof — The **burden of proof** for eligibility is on the beneficiaries/linked third parties. They must keep sufficient supporting documents (*see Article 13*) to show that the costs they declare are eligible.

Compliance with eligibility rules may be subject to a **check or audit** by us. Any ineligible costs found will be **rejected** (*see Article 28*).

If a beneficiary **declares ineligible costs**, the ineligible costs will be rejected and, if needed, other measures specified in Chapter 6 (*e.g. suspension, termination, grant reduction, etc.*) may be taken.

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

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

2. General eligibility conditions for actual costs

In order to be **eligible**, actual costs must be:

- **actually incurred by the beneficiary** (i.e.:
 - real and not estimated, budgeted or imputed and
 - definitively and genuinely borne by the beneficiary (not by any other entity)).
- **incurred during the action duration** (i.e. the generating event that triggers the costs must take place during the action duration)

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

If costs are invoiced or paid later than the end date, they are eligible only if the debt existed already during the action duration (supported by documentary evidence) and the final cost was known at the moment of the financial report.

Costs of services or equipment supplied to a beneficiary (or to its linked third party) may be invoiced and paid after the end date of the action if the services or equipment were used by the beneficiary (or to its linked third party) during the action duration. By contrast, costs of services or equipment supplied after the end of the action (or after GA termination) are not eligible.


Example: A conference for which costs are claimed must take place during the action duration; a publication for which costs are claimed must have been completed during the action.

Certain other costs incurred before or after the action duration may be considered exceptionally eligible if the timing is imposed by us (i.e. a bank guarantee to be provided before the action starting date (if any); kick-off meeting organised before the action starting date).

- **entered as eligible costs in the estimated budget of the action**, under the relevant budget category (see *Annex 2*)


When the final amount of the grant is calculated, the eligible costs cannot include costs under budget categories that did not appear in the action estimated budget, unless the initial estimated budget was amended or, for subcontracts, if these additional costs were approved in accordance with Article 10.

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

 Please note that we do require a formal amendment of the estimated budget (*Annex 2*), if the transfer of budget between beneficiaries is linked to a change in the distribution of action tasks (and in this case also the description of the action (*Annex 1*) needs to be amended).

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

The EU grant cannot be used to finance activities other than those approved by us.

 **Project management** — Coordination and administration tasks are considered **action tasks**.

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

The beneficiaries must be able to show (with records and supporting documents; see *Article 18*) the actual costs of the work, i.e. what was actually paid for the work (and for depreciation costs: what is actually recorded in the beneficiary's profit and loss accounts).

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

This may NOT be used as an excuse for non-compliance with other GA provisions. A beneficiary must make any changes needed to bring its usual cost accounting practices in line with all GA provisions.

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

Where national taxation and accounting rules do not require an invoice, an accounting document of equivalent value must be supplied (i.e. a document that (i) is produced to prove that the accounting entry is accurate and (ii) complies with the applicable accounting law).

- in **compliance with applicable national laws on taxes, labour and social security**

AND

- **reasonable, justified and must comply with the principles of sound financial management, in particular regarding economy and efficiency** (i.e. be in line with good housekeeping practice when spending public money and not be excessive)

'Economy' means minimising the costs of resources used for an activity (input), while maximising quality; 'efficiency' is the relationship between outputs and the resources used to produce them.

Examples:

- 1. The beneficiary may NOT increase the remuneration of its personnel, upgrade its travel policy or its purchasing rules because of the EU grant.*
- 2. Entertainment or luxurious expenses (including gifts, special meals and gastronomic dinners) are generally not eligible.*

3. General eligibility conditions for unit costs (if any)

In order to be **eligible**, unit costs must be:

- calculated by **multiplying the number of actual units** used to carry out the work or produced (e.g. *days spent travelling*) **by the amount per unit**

Example: The unit cost for subsistence is fixed at EUR 120 per day of travel. This amount per unit is also set out in Annex 2a.

- the **number of units** must be **necessary** for the action
- the units must be **used or produced during the action duration**

AND

- the beneficiaries must be able to **show the link** between the number of units declared and the work on the action.

The beneficiaries must be able to show (with records and supporting evidence; see *Article 13*) that the number of units declared was actually used for the action. (The actual costs of the work are not relevant.)

Example: A beneficiary declares 10 days of travel for an action in 2014. If there is an audit, the beneficiary must be able to show a record of the days travelled for the action.

DIRECT & INDIRECT COSTS

ARTICLE 6 — ELIGIBLE AND INELIGIBLE COSTS

[...]

6.2 Specific conditions for costs to be eligible

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

- A. direct personnel costs;
- B. direct travel and subsistence costs;
- C. direct costs of subcontracting;
- D. not applicable;
- E. other direct costs;
- F. indirect costs.

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

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

[...]



1. Direct costs

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

They are:


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

The beneficiaries must be able to show (with records and supporting evidence) the link to the action.

2. Indirect costs

‘Indirect costs’ are costs that cannot be identified as specific costs directly linked to the performance of the action.

In practice, they are costs whose link to the action can NOT be (or has not been) measured directly, but only by means of cost drivers or a proxy (i.e. parameters that apportion the total indirect costs (overheads) among the different activities of the beneficiary).

 Indirect costs are automatically declared as a **7% fixed flat-rate** of the eligible direct costs (see Article 6.2.F).

There is only one indirect cost rate per action; all beneficiaries will be reimbursed at the same rate.

PERSONNEL COSTS

ARTICLE 6 — ELIGIBLE AND INELIGIBLE COSTS

[...]

A. Direct personnel costs

Types of eligible personnel costs

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

They may also include **additional remuneration** for personnel assigned to the action (including payments on the basis of supplementary contracts regardless of their nature), if:

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

A.2 The **costs for natural persons working under a direct contract** with the beneficiary other than an employment contract or **seconded by a third party against payment** are eligible personnel costs, if:

- (a) the person works under conditions similar to those of an employee (in particular regarding the way the work is organised, the tasks that are performed and the premises where they are performed);
- (b) the result of the work carried out belongs to the beneficiary (unless agreed otherwise), and
- (c) the costs are not significantly different from those for personnel performing similar tasks under an employment contract with the beneficiary.

Calculation

Personnel costs must be calculated by the beneficiaries as follows:

- for persons **working exclusively on the action**:

{ monthly rate for the person
multiplied by
number of actual months worked on the action }

The months declared for these persons may not be declared for any other EU grant.

The **‘monthly rate’** is calculated as follows:

{ annual personnel costs for the person
divided by 12 }

using the personnel costs for each full financial year covered by the reporting period concerned. If a financial year is not closed at the end of the reporting period, the beneficiaries must use the monthly rate of the last closed financial year available.

- for persons **working part-time on the action**:

{daily rate for the person

multiplied by

number of actual days worked on the action (rounded up or down to the nearest half-day)}.

The number of actual days declared for a person must be identifiable and verifiable (see Article 13).

The total number of days declared in EU grants, for a person for a year, cannot be higher than the annual productive hours used for the calculations of the hourly rate. Therefore, the maximum number of hours that can be declared for the grant are:

{number of annual productive days for the year (see below)

minus

total number of hours declared by the beneficiary, for that person for that year, for other EU grants}.

The ‘**daily rate**’ is calculated as follows:

{actual annual personnel costs for the person

divided by

number of individual annual productive days}.

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

The ‘number of individual annual productive days’ is the total actual hours worked by the person in the year. It may not include holidays and other absences (such as sick leave, maternity leave, special leave, etc). However, it may include overtime and hours spent in meetings, trainings and other similar activities.

The Commission may accept other calculation methods (such as, for instance, hourly rates, daily rates calculated with annual personnel costs and 215 *fixed* annual productive days or a pro-rata apportionment of the monthly salary costs), if it considers that they reflect the actual costs incurred in a fair, objective, realistic way and if there are sufficient records to support these costs (see Article 13).

[...]



1. Personnel costs (category A)


What costs?

This budget category covers personnel costs (employees or equivalent, natural persons under direct contract (in house consultants) and seconded persons).

The personnel costs should correspond to the adequate human resources needed to ensure the successful implementation of the project.


The costs must be calculated on the basis of actual gross salary or wages plus obligatory social charges and any other statutory costs included in the remuneration.

The costs you declare must correspond to the actual time worked on the project by the staff concerned.


 The rates at which staff are charged to the project must correspond to the **normal remuneration policy** of each beneficiary (documented by salary grids, long-term work contracts, etc.).

It should not significantly exceed the market rates generally applicable in the geographical area and sector (especially with respect to the profile of the staff concerned), and must be justified by the nature of the work.

Any amounts paid in excess of these rates may be considered an ineligible cost.

 **Overtime** — Overtime is included and reimbursed just like normal working time. Overtime pay must be included in the annual personnel costs. Overtime worked (paid or unpaid) must be added to the annual workable days ('productive time'), in order to calculate the annual productive days.

How to calculate them?

 Please use the **detailed budget table** available in the Portal Submission System to build your grant budget. It follows the cost categories and eligibility rules of the grant agreement.


Budgeting personnel costs

For the estimated budget, you should indicate for each participant the total amount of staff costs they estimate to be necessary for the project.

These amounts should be a detailed and accurate estimate of individual staff costs (estimated person-months per staff category), following the calculation method described below. Only eligible costs should be budgeted.

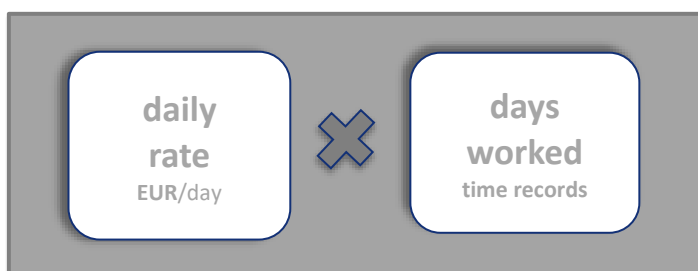
The cost details should contain:

- number of persons per staff category (no names)
- function in the project
- working status, e.g.
 - *recruited specifically for the project or permanent employee?*
 - *under a contract other than an employment contract?*
 - *part-time or full-time on the project?*
 - *civil servant or private law employee?*
- number of working hours included in the daily rate.

 **Record-keeping** — Keep these detailed estimates **on file** (they may be needed during grant preparation or later on in case of an audit).

Reporting personnel costs (financial statement)


For the financial statement you should claim the personnel costs by using an **daily rate** (daily rate x days worked on the action):



Thus, personnel costs will effectively be based on **3 elements**:

- a) annual personnel costs (gross salary, including social charges and other statutory costs)
- b) annual productive days (actual annual working time)
- c) time actually worked on the action

$$\frac{\text{(a) annual gross salary + social charges}}{\text{(b) total actual annual productive working days}} \times \text{(c) actual number of days working on the action}$$

 For reporting periods running over **several years**, the daily rate must be calculated separately for each individual year. If a financial year is not closed at the end of the reporting period, the beneficiary must use the daily rate of the last closed financial year.

(a) Annual personnel costs

This means costs actually paid by the beneficiary over a year, including: salary, taxes, employer's contribution for national security schemes etc.

Calculate as follows:

1	Annual gross salary including paid overtime and salaries for 13 th and 14 th 'month', if applicable
	<i>How?</i> Add up the gross salary on every monthly salary slip
+ 2	Holiday allowance, if not included in item 1 above
+ 3	Obligatory/compulsory social charges imposed by law, such as pension/health/insurance schemes, contributions to labour market funds, etc
+ 4	Statutory pension schemes under national law
- 5	Compensation received from insurance or other sickness/employment schemes to reactivate unemployed people
<hr/>	
Total	Annual staff cost (sum of 1 to 4 minus 5)

Base the calculation on statutory documents, such as salary slips and payroll summary, so the amounts can easily be traced and verified.

Ineligible costs for this calculation:


- all additional (non-statutory) and individual pension schemes and/or sickness insurance schemes
- company cars
- bonuses and similar fringe benefits
- dividends or profit sharing.
- amounts paid for long-term illness or maternity leave.

(b) Total actual annual productive time

This means total time in days worked over a year.

Calculate as follows:

1	Total number of days in a year	365
- 2	Minus weekends	104
- 3	Minus public holidays	
- 4	Minus annual leave actually taken	
- 5	Minus time compensation or flexitime	
- 6	Minus sickness	
+ 7	Plus any (paid or unpaid) overtime	
Total number of productive days in the year (<i>1 minus 2 to 6, plus 7</i>)		

 **Meetings trainings and similar absences** — Are considered productive working time and should not be deducted.

(c) Actual time worked on the action


For persons allocated exclusively to the project, the time worked on the project will not be calculated in days, but in months.

For all other persons, the time worked for the project must be calculated in days. It must be clearly substantiated by timesheets (or equivalent time registration system).

For this purpose, every beneficiary must establish a time registration system that meets at least the following rules:

- The timesheets (*paper or electronic*) must contain at least the following information:
 - grant agreement number
 - name of employer
 - name of employee
 - day, month and year
 - number of time units (days) worked on the project during the period of the timesheet
 - number of time units (days) worked on other projects/activities
 - total number of time units (days) worked

- details of the tasks performed for the project
- date and signature of employee
- date and signature of supervisor.
- The timesheet should cover either a week or a month and be filled in regularly, usually every day (*timesheets created retroactively are not acceptable*).
- The timesheet should be signed by the employee and approved by the supervisor in a timely manner – ideally during the week after.
- Summary sheets (*showing e.g. "x" days spent per month*) are not accepted as supporting documentation.

 **Record-keeping** — You are strongly recommended to create a **written description** of your time registration procedure, for future reference.

Specific cases (personnel costs (A)):


Persons working exclusively on the action — There is a different calculation method for staff working 100 % on the project. They are allowed to use monthly rates instead of daily rates.


Moreover, they do not need to keep timesheets (but sign a declaration on exclusive work for the action; see Article 13.1.2).


If the declaration covers months in which the person was absent for more than half of the working days those months can NOT be taken into account to calculate the days worked in the action (— unless the absence is linked to annual leave).

Natural persons with direct contract (non-permanent staff) — Costs for in-house consultants and similar persons (i.e. self-employed *natural* persons) that work on the action under conditions similar to those of an employee may be an eligible cost (budget category A.2). The following criteria are indications:

- the person works for the beneficiary under a direct contract
- the person works under conditions similar to those of the employees (regarding the way the work is organised and the tasks that are performed)
- the costs for the person are reasonable and not significantly different from the costs of the employees performing similar tasks
- the person uses the beneficiary's infrastructure/works on the premises (i.e. generates indirect costs for the beneficiary).
- travel and subsistence costs for the person for participating in project meetings or project travel are paid by the beneficiary under conditions similar to those of the employees
- the result of the person's work belongs to the beneficiary under conditions similar to those of the employees

 The calculation of the eligible costs for such persons follows the same rules as for employees (i.e. daily or monthly rate, depending on part-time or exclusive work on the action — except if the grant agreement exceptionally explicitly allows for calculation on the basis not of time spent, but deliverables). The daily rate must be calculated according to the rules in the grant agreement.

 If the person does not work exclusively for the project, timesheets are mandatory.

 If the same person is contracted/recruited to work on different projects, with different contracts but performing similar roles, the rates may not be higher for the EU project.

This category does NOT cover staff provided by a **temporary work agency** (because in this case there is no direct contract between the person and the beneficiary; the contract is not with the beneficiary but with the entity hiring the person). Such staff therefore qualifies typically as purchase of services. Thus, although NOT eligible as 'personnel costs' (category A.2), the costs can normally be charged under budget category E.2 'other goods and services', if they comply with the eligibility conditions (especially best value for money and no conflict of interest; see *Article 9*).

Seconded staff – Costs for persons that are seconded by a third party *against payment* maybe an eligible cost under the same conditions as non-permanent staff. Staff seconded to the beneficiary for free cannot be declared as a cost by that beneficiary.

Permanent staff of a public organisation – For public organisations (i.e. public bodies, with the exception of universities), the salary costs of permanent staff can be claimed only if they relate to the costs of project activities which the organisation would not have carried out if the project had not been undertaken.

SUBCONTRACTING COSTS VERSUS PURCHASE COSTS

ARTICLE 9 — PURCHASE OF GOODS, WORKS OR SERVICES

9.1 Rules for purchasing goods, works or services

9.1.1 If necessary to implement the action, the beneficiaries may purchase goods, works or services.

The beneficiaries must make such purchases ensuring the best value for money or, if appropriate, the lowest price. In doing so, they must avoid any conflict of interests (see Article 20).

The beneficiaries must ensure that the Commission, the European Court of Auditors (ECA) and the European Anti-Fraud Office (OLAF) can exercise their rights under Articles 17 and 18 also towards their contractors.

9.1.2 Beneficiaries that are 'contracting authorities' within the meaning of Directive 2004/18/EC (or 2014/24/EU) or 'contracting entities' within the meaning of Directive 2004/17/EC (or 2014/25/EU) must comply with the applicable national law on public procurement.

9.2 Consequences of non-compliance

If a beneficiary breaches any of its obligations under Article 9.1.1, the costs related to the contract concerned will be ineligible (see Article 6) and will be rejected (see Article 26).

If a beneficiary breaches any of its obligations under Article 9.1.2, the grant may be reduced (see Article 27).

Such breaches may also lead to any of the other measures described in Chapter 6.

ARTICLE 10 — IMPLEMENTATION OF ACTION TASKS BY SUBCONTRACTORS

10.1 Rules for subcontracting action tasks

10.1.1 If necessary to implement the action, the beneficiaries may award subcontracts covering the implementation of certain action tasks described in Annex 1.

The beneficiaries must award the subcontracts ensuring the best value for money or, if appropriate, the lowest price. In doing so, they must avoid any conflict of interests (see Article 20).

The tasks to be implemented and the estimated cost for each subcontract must be set out in Annex 1 and the total estimated costs of subcontracting per beneficiary must be set out in Annex 2. The Commission may however approve subcontracts not set out in Annex 1 and 2 without amendment (see Article 39), if:

- they are specifically justified in the final technical report and
- they do not entail changes to the Agreement which would call into question the decision awarding the grant or breach the principle of equal treatment of applicants.

The beneficiaries must ensure that the subcontracted work is performed in one of the eligible countries set out in the call for proposals ('place of performance obligation') — unless otherwise approved by the Commission.

The beneficiaries must ensure that the Commission, the European Court of Auditors (ECA) and the European Anti-Fraud Office (OLAF) can exercise their rights under Articles 17 and 18 also towards their subcontractors.

10.1.2 The beneficiaries must ensure that their obligations under Articles 20, 21, 22 and 30 also apply to the subcontractors.

Beneficiaries that are 'contracting authorities' within the meaning of Directive 2004/18/EC (or 2014/24/EU) or 'contracting entities' within the meaning of Directive 2004/17/EC (or 2014/25/EU) must comply with the applicable national law on public procurement.

10.2 Consequences of non-compliance

If a beneficiary breaches any of its obligations under Article 10.1.1, the costs related to the subcontract concerned will be ineligible (see Article 6) and will be rejected (see Article 26).

If a beneficiary breaches any of its obligations under Article 10.1.2, the grant may be reduced (see Article 27).

Such breaches may also lead to any of the other measures described in Chapter 6.



1. Subcontracting costs versus purchase costs (categories C and B/E)

How to distinguish them?

Generally speaking, the *article on subcontracting* sets the rules for the contracting out of parts of the action (i.e. action tasks mentioned in Annex 1 GA), while *article on purchases* sets the rules for buying of equipment, consumables and other services. Purchases cover the procurement of ordinary services, goods or equipment needed to carry out the project. Unlike *subcontracting*, they do not involve the outsourcing of entire parts of the project (project tasks or project activities described in the description of the action).

Examples (purchases): Dissemination of information, evaluation, audits, translations, reproduction, purchase of tickets, renting of rooms and accommodation, purchase of consumables and supplies, website development.

While all subcontracting must be declared under a specific budget category (C. 'subcontracting'), purchases must be declared either under category E.1 'equipment' or E.2 'other goods and services'. *Equipment* is for assets, while *other goods and services* is for consumables.

SUBCONTRACTING COSTS

ARTICLE 6 — ELIGIBLE AND INELIGIBLE COSTS

[...]

C. Direct costs of subcontracting (including related duties, taxes and charges such as non-deductible value added tax (VAT) paid by beneficiaries that are not public bodies acting as public authority) are eligible if the conditions in Article 10.1.1 are met.

[...]



1. Subcontracting costs (category C)

What costs?


This budget category covers the costs for subcontracting of a part of the action tasks (i.e. externalising a part of the action to a third party).

You may subcontract action tasks — *if you follow these rules:*

- You must NOT also act as a subcontractor in the project (not possible for beneficiaries).
- Subcontract only a limited part of the project; subcontracting all or most of the activities would be contrary to the division of roles in the consortium and raise questions on the ownership of the project and capacity to implement it.
- Subcontract only tasks that are absolutely necessary due to the nature of the project and its implementation needs.

- Do NOT subcontract the management and general administration of the project.
- For subcontracting going beyond 30% of the total eligible costs, give specific reasons.
- Specify in Part B of the Proposal Form the tasks that will be subcontracted (and explain what value subcontracting will add and why the relevant expertise is not available in your consortium) and show the estimated costs in your estimated budget.

After the grant is awarded, if you want to subcontract any tasks that were not described in your application: notify us as specified in the grant agreement ('simplified approval procedure'; new subcontract must be included and explained in the technical periodic report in the section 'unforeseen subcontractor'; see *Article 10*).

 The approval is at the full discretion of the Commission and there is no automatic entitlement to it. Beneficiaries that rely on the 'simplified approval procedure' bear the **full risk** of non-approval and rejection of costs by the Commission.

- Retain sole responsibility for carrying out the project and for compliance with the provisions of the grant agreement.
- Ensure that:
 - the European Commission, European Court of Auditors (ECA) and European Anti-Fraud Office (OLAF) can exercise their rights under Articles 17 and 18 of the grant agreement also towards your subcontractors
 - your obligations under Articles 20, 21, 22 and 30 of the grant agreement also apply to your subcontractors.

Typically, your subcontracts should include the following terms:

- goods/services to be provided and their links to the project
 - start and end dates
 - 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 addressing non-performance or late completion.
- Ensure that the subcontracts are based on the best value for money (considering the quality of the service proposed, i.e. the best price-quality ratio) or on the lowest price.

This does NOT in all cases require a competitive selection procedure. You can organise the tender according to your internal practices – *if you can demonstrate that you will:*

- select the tender offering best value for money, or the lowest price
- avoid any conflicts of interest.

If you are acting as a contracting authority or entity (*as defined, respectively, in Directives [2014/24/EU](#) and [2014/25/EU](#)²*), you must abide by the applicable national public procurement rules.

² New directives in force since 2016:

How to calculate them?Budgeting subcontracting costs

For the estimated budget, you should enter an estimate of the total amount of subcontracts needed for the project, for each partner.

Reporting subcontracting costs (financial statement)

For the financial statement, you should include include all costs incurred for the subcontracts.

The costs you declare must correspond to the price you paid to the subcontractors (including all related taxes; *for VAT, see Article 6.4*).

Specific cases (subcontracting (C)):

Subcontracting between beneficiaries — Is NOT allowed in the same GA. All beneficiaries contribute to and are interested in the action; if one beneficiary needs the services of another in order to perform its part of the work, it is the second beneficiary who should declare the costs for that work.

Subcontracting to affiliates — Is NOT allowed, unless they have a framework contract or the affiliate is their usual provider, and the subcontract is priced at market conditions. Otherwise, these affiliates may work in the action, but they must be identified as linked third parties under Article 11 and declare their own costs.

Coordination tasks of the coordinator (*e.g. distribution of funds, review of reports and others tasks listed under Article 25.2(b)*) — Can NOT be subcontracted. Other activities of the coordinator may in principle be subcontracted.

Framework contracts or subcontracts — Framework contracts can be used for selecting a provider if this is the usual practice of the beneficiary (*e.g. for a type of service*). In order to be eligible, the framework contract must (have) be(en) awarded on the basis of best-value-for-money and absence of conflict of interest. The framework contract does not necessarily have to be concluded before the start of the action.

Directive [2014/24/EU](#) of the European Parliament and of the Council of 26 February 2014 on public procurement (OJ L 94, 28.3.2014, p. 65) and repealing Directive 2004/18/EC (OJ L 94, 28.03.2014, p.65).

Directive [2014/25/EU](#) of the European Parliament and of the Council of 26 February 2014 on public procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC (OJ L 94, 28.3.2014, p. 243).

Old directives:

Directive [2004/18/EC](#) of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public work contracts, public supply contracts and public service contracts (OJ L 134, 30.4.2004, p. 114).

Directive [2004/17/EC](#) of the European Parliament and of the Council of 31 March 2004 coordinating the procurement procedures of entities operating in the water, energy, transport and postal services sectors (OJ L 134, 30.4.2004, p. 1).

PURCHASE COSTS: TRAVEL — EQUIPMENT — OTHER GOODS AND SERVICES

ARTICLE 6 — ELIGIBLE AND INELIGIBLE COSTS

B. Direct travel and subsistence costs

Travel and subsistence costs (including related duties, taxes and charges, such as non-deductible value added tax (VAT) paid by beneficiaries that are not public bodies acting as public authority) are eligible if they are in line with the beneficiary's usual practices on travel.

Subsistence costs are eligible if they correspond to the amount per unit set out in Annex 2a multiplied by the actual number of units.

E. Other direct costs

E.1 The **depreciation costs of equipment, infrastructure or other assets** (new or second-hand) as recorded in the beneficiary's accounts are eligible, if they were purchased in accordance with Article 9.1.1 and written off in accordance with international accounting standards and the beneficiary's usual accounting practices.

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

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

E.2 **Costs of other goods and services** (including related duties, taxes and charges, such as non-deductible value added tax (VAT) paid by beneficiaries that are not public bodies acting as public authority) are eligible, if they are purchased specifically for the action and in accordance with Article 9.1.1.

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



1. Travel costs (category B)

What costs?

This budget category covers the travel costs and related subsistence allowances spent for the action.

Only travel costs relating to specific and clearly identifiable activities are eligible for EU funding and must have been incurred by people directly involved in or contracted for such activities.

Travel and subsistence costs must be reasonable and in line with your usual practices on travel costs.

Travel and subsistence costs of participants in conferences and seminars should also be included under this category.

How to calculate them?


Budgeting travel & subsistence costs

For the estimated budget, you should enter an estimate of the total amount of travel costs and subsistence costs (actual or per diems) needed for the project, for each partner.

These amounts should be a detailed and accurate estimate, based on the corporate policy, destination, number of people involved, etc. Only eligible costs should be budgeted.

Ideally the details should show the:

- reason for travelling (*e.g. second project meeting, study visit, etc.*)
- places of origin and destination
- number and, if already known, names of the people travelling/receiving subsistence allowances
- type of unit (*e.g. flights, train journeys*).

 **Record-keeping** — Keep the detailed estimates on file. You must provide these to us if requested and you will need them at the reporting stage.

Reporting travel & subsistence costs (financial statement)

The costs you declare must correspond to the costs you incurred for travels (including all related duties, taxes and charges; *for VAT, see Article 6.4*).

Travel costs

For the financial statement, you should include all costs from the point of origin to the destination, including transfers to/from airports/train stations.

All people travelling in connection with the project are required to make every effort to use the cheapest fare and method — wherever possible, public transport.

Rail travel — First-class fares are accepted

Air travel — You must take the cheapest fare.

Cars — If air/rail travel is not cheap or possible, costs for travelling by car will be refunded as follows:

- private vehicles (*own or company cars*): amount equivalent to the corresponding (or an equivalent) rail fare

Only 1 ticket will be reimbursed, even where several people are travelling in the same vehicle.

 **Record-keeping** — Evidence of the corresponding rail fare (*e.g. declaration of costs from a travel agent, online quote*) should be kept **on file** (it will be needed later on in case of an audit).

- hire cars (*maximum category B or equivalent*) or taxis: actual cost, if not excessive compared with other means of travel


Only 1 taxi fare will be reimbursed even where several people are travelling in the same vehicle.

Subsistence costs

This means cost of accommodation, meals, local travel at the place of assignment and sundry expenses.

Such costs are eligible, if they are:

- in line with local prices
- exclusively linked to the project
- reasonable (for a guide to what is considered reasonable in each country, see these [daily \(per diem\) amounts](#)).

 **Record-keeping** — All supporting documents for the real expenses (e.g. hotel ticket, taxi receipts, restaurant bills) should be kept **on file** (it will be needed later on in case of an audit).

You are also strongly recommended to create a **written description** of your organisation's reimbursement practices (actual costs incurred or daily per diem system).

2. Equipment costs (category E.1)

What costs?

The depreciation costs of other equipment (purchased before the beginning of the project) are in principle part of the 'indirect costs' (project overheads, category F).

However, if you need to buy/rent *specific equipment* for the project (e.g. audiovisual equipment), it can be charged as 'equipment costs' — *if you follow these rules*:

- Clearly demonstrate why the equipment needs to be purchased, rented or leased for the project
- Respect the contracting rules, e.g. compare the prices of different suppliers to see who offers the best value for money (taking account of price and quality)
- Charge to the project only the cost of equipment purchased or rented during the period covered by the grant agreement, at a rate that reflects the degree and duration of use for the project in that period
- Itemise the equipment with an inventory number in the organisation where it is installed.
- Calculate the depreciation in accordance with international accounting standards and your usual accounting practices, taking into account the rate of actual use for the project.


 **Record-keeping** — Keep evidence of the procedure followed for selecting the supplier on file. You must provide these to us if requested.

How to calculate them?

Budgeting equipment costs

For the estimated budget, you should enter an estimate of the total amount of equipment costs needed for the project, for each partner.

This amount should be a detailed and accurate estimate, based on the depreciation. Only eligible costs should be budgeted.

 **Record-keeping** — Keep the detailed estimates on file. You must provide these to us if requested and you will need them at the reporting stage.

Reporting equipment costs (financial statement)

For the financial statement, you should enter the depreciation (or rental/leasing costs) incurred for the equipment.

Example (depreciation):

Total value of equipment purchased: EUR 1,000

Service life: 3 years (36 months)

Monthly depreciation = EUR 1,000/36 = EUR 27.78

Duration of eligibility for cost in Grant Agreement: 01/10/2014 to 30/09/2016 (24 months).

Date of purchase (= date of invoice): 30/04/2015.

Period of use = maximum 17 months.

Usage rate (if equipment used on a half-time basis for the project) = 50%.

Total amount payable for depreciation = EUR 27.78 x 17 months x 0.5 = EUR 236.13.

3. Other goods and services (category E.2)

What costs?

This budget category covers consumables, conferences and seminars, publications and dissemination, translation and other costs not covered in the previous categories.

The costs of consumables and supplies are eligible — if they are exclusively used for the project and identifiable as such in your accounts and if the purchasing rules were complied with (best value for money).

Publications must be produced specifically for the project and comply with the [Guidelines on visibility of EU funding](#).

Costs for conferences, seminars and other events do NOT include any travel and subsistence allowances provided for participants (these should be put under 'travel', category B).

Other costs not falling under any other category can be charged under category E, if they are necessary and specific to the project activities and contribute to its final results.

Typically these includes:

- costs of services (*e.g. experts not considered as personnel, in-house consultants or subcontracts; specific evaluation of the project; auditor fees*)
- conference fees; meeting registration costs
- charges for financial transactions; fees for a bank guarantee requested by us
- purchase of information materials specific and key to project implementation (books, studies, electronic data)
- project-specific press releases and event advertisements (one-off costs)
- purchase of copyrights and other intellectual property rights (IPR)
- intellectual property costs connected with publishing project materials (*e.g. CD-ROMs*)
- other costs stemming from obligations under the grant agreement which are not budgeted for under another budget category.

General office supplies (*pens, paper, folders, ink cartridges, electricity supply, telephone and postal services, internet connection, software, etc.*) are 'indirect costs', belonging in category F — *unless unusually high quantities of such supplies are required due to the specific circumstances.*

Costs of purchasing land or immovable property are not eligible. For the costs of premises rented to carry out the project, you will have to provide a specific rental contract/lease indicating a clear and exclusive link with the project. If this link is not demonstrated, the cost will be considered covered by the indirect costs.

How to calculate them?

Budgeting other goods & services costs

For the estimated budget, you should enter an estimate of the total amount of all other goods and services needed for the project, for each partner.

These amounts should be a detailed and accurate estimate, based on type of publication (languages and number of copies/pages, etc), conference/seminar/event or other cost. Only eligible costs should be budgeted.

Publication & dissemination

Publication and dissemination costs include costs for editing, translation and printing, as well as costs for website creation and/or maintenance (keep track of these costs separately — *separate lines for editing, printing, translation, etc.*).

The details should include the following:

for publications:

- title
- reference number of the output in Annex 1 GA (*e.g. work package 4, output 3 - Conference*)
- type of publication (*e.g. brochure, leaflet*)
- language(s) in which it will be produced
- estimated number of pages
- number of copies
- type of unit (usually number of pages or number of copies).

for translations:

- title of the publication
- reference number of the output in Annex I (*e.g. work package 4, output 3*)
- source and target languages (*e.g. from English into Italian*)
- number of pages
- type of unit (*e.g. pages*).

Conferences, seminars and other events

Costs for conferences, seminars and other events include costs for renting of rooms, interpreting, catering, etc. (keep track of these costs separately — *separate lines for renting of rooms, interpreting, catering, etc.*).

The details should show:

for renting of rooms:


- expected number of participants
- duration of the event (*e.g. days, half-days or number of hours*)
- title of the event in Annex 1 GA

for interpreting:

- number of interpreters per day
- number of days interpreting needed
- source and target languages (*e.g. English into French & vice versa*)
- type of unit to count (*e.g. days of interpreting*)

for catering:

- type of catering costs (*e.g. lunch, coffee break*)
- number of items
- number of participants
- type of unit to count (*e.g. participants*).

 **Record-keeping** — Keep the detailed estimates on file. You must provide these to us if requested and you will need them at the reporting stage.


Reporting other goods & services costs (financial statement)

For the financial statement, you should include costs for goods and services.

Catering costs must not include people receiving subsistence allowance for the same event, unless such costs are deducted from their allowance.

Specific cases (travel, equipment & other goods and services (B, E):

Rate per mile/km — Rates per mile/km will only be reimbursed if the beneficiary provides good reasons why the normal means of calculation for car travel costs cannot be applied.

 **Record-keeping** — Full supporting documentation for the rate and that the rate was actually paid should be kept **on file** (it will be needed later on in case of an audit).

Beneficiary per diem system (daily allowance) — Per diems will be reimbursed if they are part of the beneficiary's usual practices (i.e. you can demonstrate that such a system was officially in place before the grant was awarded).

Per diems including accommodation will be accepted only when an overnight stay is necessary (because of the timing of the return). If the overnight stay was not necessary, a proportion of 60% will be considered for accommodation and rejected.

In-kind contributions against payment — Costs for equipment, goods or services that are given in-kind by a third party *against payment* may be an eligible cost under the same conditions as other equipment, goods and services.

COSTS OF FINANCIAL SUPPORT TO THIRD PARTIES (IF APPLICABLE)

ARTICLE 6 — ELIGIBLE AND INELIGIBLE COSTS

[...]

D. Direct costs of providing financial support to third parties


Not applicable

[...]



1. Financial support to third parties (category D)

Not applicable

 Actions may involve financial support to third parties ONLY where this is explicitly allowed in the call for proposals.

INDIRECT COSTS

F. Indirect costs

Indirect costs are eligible if they are declared on the basis of the flat-rate of 7% of the eligible direct costs (see Article 5.2 and Points A to E above).

Beneficiaries receiving an EU operating grant cannot declare indirect costs for the period covered by the operating grant, unless they can demonstrate that the operating grant does not cover any costs of the action.

[...]

²¹ For the definition, see Article 200(2)(b) 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 ('[EU Financial Regulation](#)') (OJ L 193, 30.7.2018, p. 1): '**operating grant**' means direct financial contribution, by way of donation, from the budget in order to finance the functioning of a body which pursues an aim of general EU interest or has an objective forming part of and supporting an EU policy.



1. Indirect costs (category F)

Commonly known as *overheads*. These are costs that cannot be identified as specific costs directly linked to the project and so booked to it directly.

They cover general indirect costs you incur in implementing the project, typically:

- general rental costs or depreciation of buildings and equipment
- maintenance costs
- telecommunication and postal fees
- water, gas, electricity, heating, etc.
- office furniture
- supplies and petty office equipment
- insurance

- costs connected with support services, such as administrative and financial management, human resources, training, documentation, IT, etc.

Eligible indirect costs are calculated (automatically by the system), with a flat-rate instead of actual costs. This rate – fixed in the grant agreement – is **7%** of the direct eligible costs.

This means that your indirect costs will depend directly on your direct costs. And that you will not need to keep track of your actual indirect costs.

⚠ Combining action & operating grants – Beneficiaries that also receive an EU operating grant can NOT charge any indirect costs for the reporting period(s) covered by the operating grant, unless they are able to demonstrate cost separation (i.e. that the operating grant does not cover any costs that may be claimed under the action).

Operating grants are annual grants to finance the operation and running costs of an entity (e.g. call [COMM-C2/01-2013](#) under the Europe for Citizens programme).

Example: Entity A receives an operating grant under the Europe for Citizens programme for the financial year 2016 (i.e. from 01.01.2016 until 31.12.2016) The operating grant is not renewed in 2017. On 01.04.2016, entity A signs an COSME action grant with one reporting period of 18 months (01.04.2016 – 31.12.2017). Beneficiary A may declare the indirect costs in the COSME action grant as follows:

- from 01.04.2016 to 31.12.2016 ONLY IF it can demonstrate that the operating grant does not cover any costs of the action (see below);
- from 01.01.2017 – 31.12.2017 under the normal COSME rules (i.e 7% of the direct eligible costs since there is no operating grant covering the 2017 financial year).

To **demonstrate cost separation**, the following conditions must be fulfilled:

- the operating grant may NOT cover 100% of the beneficiary's annual budget (i.e. it may not be a full operating grant)
- the beneficiary must use analytical accounting which allows for a cost accounting management with cost allocation keys and cost accounting codes AND must apply these keys and codes to identify and separate the costs (i.e. to allocate them to either the action grant or the operating grant)
- the beneficiary must record:
 - all costs incurred for the operating grant (i.e. personnel, general running costs and other operating costs linked to the WP) and
 - all costs incurred for the action grants (including the indirect costs linked to the action)
- the allocation of the costs must be done in a way that leads to a fair, objective and realistic result.

Beneficiaries that cannot fulfil these conditions must EITHER:

- terminate the operating grant, in order to sign the action grant with indirect costs
- keep the operating grant, but sign the action grant without indirect costs.

The possibility to combine operating grants with action grants if costs are separated was introduced with GA version 4.0. It applies also to older grant agreements, if the beneficiaries can demonstrate that there is no double funding, in accordance with the above-listed principles (analytical accounting tools, full cost recording, fair allocation).

Best practice: In case of an overlapping EU operating grant, the beneficiary should immediately contact the Commission (via their [Portal account](#)). Be aware that operating grants are not always easy to identify. They exist under various labels (operating grants; financial contributions/support to the functioning/operation of entities; etc.). Check your call text.

INELIGIBLE COSTS

6.4 Ineligible costs

Ineligible costs are:

- (a) costs that do not comply with the conditions set out above (Article 6.1 to 6.3), in particular:
 - (i) costs related to return on capital;
 - (ii) debt and debt service charges;
 - (iii) provisions for future losses or debts;
 - (iv) interest owed;
 - (v) doubtful debts;
 - (vi) currency exchange losses;
 - (vii) bank costs charged by the beneficiary's bank for transfers from the Commission;
 - (viii) excessive or reckless expenditure;
 - (ix) **deductible VAT**;
 - (x) costs incurred during suspension of the implementation of the action (see Article 33);
 - (xi) in-kind contributions provided by third parties free of charge;
- (b) costs declared under another EU grant (including grants awarded by a Member State and financed by the EU budget and grants awarded by bodies other than the Commission for the purpose of implementing the EU budget); in particular, indirect costs if the beneficiary is already receiving an operating grant financed by the EU budget in the same period, unless they can demonstrate that the operating grant does not cover any costs of the action;
- (c) costs for staff of a national (or regional/local) administration, for activities that are part of the administration's normal activities (i.e. not undertaken only because of the grant);
- (d) costs (especially travel and subsistence costs) for staff or representatives of EU institutions, bodies or agencies;

6.5 Consequences of declaration of ineligible costs

Declared costs that are ineligible will be rejected (see Article 26).

This may also lead to any of the other measures described in Chapter 6.



1. Ineligible costs

Costs are **ineligible**, if one of the following applies:

- they **do not meet the general and specific eligibility conditions** set out in Articles 6.1 to 6.3

***Examples:** costs incurred in relation to activities not indicated in Annex 1 to the grant agreement (description of the action); subcontracting costs do not comply with Article 10; taxes for which you are liable in your capacity as a business (e.g. IRAP in Italy, Gewerbesteuer in Germany); gifts and presents; recreational/tourism/cultural activities;*

costs not entailing a cash flow for you; costs incurred by a third party to the grant agreement.

- they are **listed in Article 6.4**, in particular:
 - costs related to **return on capital** or **return generated by an investment**

Examples: dividends paid as remuneration for investing in the action; remuneration paid as a share in the company's equity.
 - **debt and debt service charges**

'Debt service' is the amount paid on a loan in principal and interest over a period of time.

Example: If a beneficiary takes a loan used to acquire equipment or consumables for the project of EUR 100 000 at 9 percent interest for 10 years, the debt service for the first year (principal and interest) is EUR 15 582.
 - **provisions for future losses or debts**

'Provision' means an amount set aside in an organisation's accounts, to cover for a known liability of uncertain timing or amount. This includes allowances for doubtful or bad debts.
 - **interest owed** (i.e. interest on a loan to borrow capital)
 - **excessive or reckless expenditure**

'Excessive' means paying significantly more for products, services or personnel than the prevailing market rates or the usual practices of the beneficiary (and thus resulting in an avoidable financial loss to the action).

'Reckless' means failing to exercise care in the selection of products, services or personnel (and thus resulting in an avoidable financial loss to the action).
 - **currency exchange losses** (i.e. for beneficiaries using currencies other than euros or being invoiced in a currency other than the currency they use: any loss due to exchange rate fluctuations (*e.g. between the date of invoicing and the date of payment*))

This includes insurance premiums against risk of exchange rate losses.
 - **bank costs** charged by the beneficiary's bank for transfers from us.

Conversely, bank charges for the distribution of the EU funding may constitute an eligible cost for the coordinator (if the eligibility conditions of Article 6.1 and Article 6.2.E.2 are met).
 - **deductible VAT**

'Deductible VAT' means VAT that is recoverable under the national 'VAT system' (i.e. the system of collection and deduction under the national VAT legislation). Such VAT is not a genuine and definitive cost and, according to accounting standards, should not be recorded as such. Therefore, it is not actually incurred by the beneficiary.

The cost and revenue accounts should exclude deductible VAT; such VAT should be recorded in *separate* payable or receivable accounts, without effect on revenue or cost line items.

The VAT *paid* is a claim against the tax authority. It should be recorded in the 'assets' part of the balance sheet. It should not be recorded as expenditure in the profit and loss accounts (only the purchase price of goods and services *excluding* VAT should be recorded). Similarly, for the value of purchased equipment or assets, only the net purchase cost should be recorded in the balance sheet's fixed asset line, and the depreciation cost should be calculated based on this value, excluding VAT.

The VAT *collected* is a debt towards the tax authority and should therefore be recorded in the 'liabilities' part of the balance sheet.

Conversely, if VAT is NOT deductible, it is an eligible cost.

The full price of the goods or services bought by the beneficiary can be recorded as expenditure in its profit and loss accounts, without any distinction between the net price and the amount of VAT charged on it. The full price of equipment and assets bought can be recorded in the balance sheet's fixed asset line and is the basis for the depreciation allowances recorded in the profit and loss accounts.

- **costs incurred during the suspension of the implementation of the action**

Example: Action is suspended and one of the beneficiaries continues working on it after the date of the suspension

- **costs declared under another EU grant** (i.e. double funding)

This includes:

- costs funded directly by other EU programmes managed by the European Commission or its executive agencies or funding bodies (e.g. H2020 grants, Euratom grants)
- costs managed/funded/awarded by Member States but co-funded with EU funds (e.g. European Structural and Investment Funds (ESIF))
- costs for grants awarded/funded/managed by other EU, international or national bodies and co-funded with EU funds (e.g. Joint Undertakings, Article 185 TFEU bodies)
- if a beneficiary is receiving an EU operating grant³, then the indirect costs of that beneficiary are not eligible and the indirect cost flat-rate should not be applied — unless it can demonstrate that the operating grant does not cover any costs of the action (see Article 6.2.F).

Examples (operating grants): Grants awarded to support the running costs of certain institutions pursuing an aim of European interest, such as: College of Europe, European standards bodies (CEN, CENELEC, ETSI)

- costs for **staff** of a **national** (or local) administration, for activities that are part of the administration's normal activities (i.e. not undertaken only because of the grant)

For public organisations (i.e. public bodies, with the exception of universities), the salary costs of permanent staff be claimed only if they relate to the costs of project activities which the organisation would not have carried out if the project not been undertaken.

- travel, subsistence and any other costs for EU **staff** (or elected representatives of the EU Parliament)
- costs for activities that do not take place in one of the **eligible countries** set out in the call for proposals

The eligible countries are listed in the call document. You can have project activities outside these countries, but this will be solely at your own expense — they will not be eligible.

- **cost categories explicitly excluded in the call** (if option applies).

³ For the definition, see Article 180(2)(b) of the [EU Financial Regulation](#)): 'operating grant' means direct financial contribution, by way of donation, from the budget in order to finance the functioning of a body which pursues an aim of general EU interest or has an objective forming part of and supporting an EU policy.

If a beneficiary **declares ineligible costs**, the ineligible costs will be rejected and, if needed, other measures specified in Chapter 6 (*e.g. suspension, termination, grant reduction, etc.*) may be taken.

Specific cases (ineligible costs):

Non-identifiable VAT (in foreign invoices) — In exceptional cases where the beneficiary cannot identify the VAT charged by the supplier (*e.g. small non-EU invoices*), the full purchase price can be recorded in the accounts if it is not possible to deduct the VAT. That VAT would therefore be eligible.

Partially deductible VAT — Some entities have a mixed VAT regime, meaning that they carry out VAT exempt or out-of-the-scope activities AND VAT taxed activities. When VAT paid on goods or services by these entities cannot be directly allocated to one or the other category of activities it will be *partially* deductible. Therefore it will also be *partially* eligible. The eligible part corresponds to the pro-rata of the VAT which is not deductible for that entity.

In these cases, the beneficiary uses a provisional (estimated) deduction ratio during the year. The final ratio is only determined at the end of the fiscal year. The beneficiary must regularise VAT when closing its accounts. Therefore, the beneficiary must also regularize the VAT costs declared for the grant (by declaring, in the next reporting period, an adjustment for the difference between the provisional deduction ratio and the final ratio).

VAT incurred by a public body acting 'as public authority' — VAT incurred by a public body acting as public authority is ALWAYS ineligible.

These are activities which can only be exercised by public bodies under their special legal framework, under different legal conditions to those covering private bodies. They may or may not be linked to 'imperium'.

Examples: Policing, the justice system, combating counterfeiting of banknotes and coins, national statistics, determination and enforcement of public policies

Duties — The eligibility of duties depends on the eligibility of the cost item to which they are linked (i.e. in whose price they are included). If the item is eligible, the duty is also eligible.

In-kind contributions free of charge — This means non-cash inputs from third parties, such as:

- donations of raw materials (*e.g. paper and ink for publication purposes*)
- unpaid volunteer work or provision of services
- any other good or service provided to the project whose cost is borne by another organisation and not reimbursed by the beneficiary.

They are not an eligible cost and can NOT be included when calculating total eligible costs and the final grant amount (nor should they be reported as receipt at final reporting stage).

KEEPING RECORDS — SUPPORTING DOCUMENTATION

ARTICLE 13 — KEEPING RECORDS — SUPPORTING DOCUMENTATION

13.1 Obligation to keep records and other supporting documentation

The beneficiaries must — for a period of **five years after the payment of the balance** — keep records and other supporting documentation in order to prove the proper implementation of the action and the costs they declare as eligible.

They must make them available upon request (see Article 12) or in the context of checks, reviews, audits or investigations (see Article 17).

If there are on-going checks, reviews, audits, investigations, litigation or other pursuits of claims under the Agreement (including the extension of findings; see Article 17), the beneficiaries must keep the records and other supporting documentation until the end of these procedures.

The beneficiaries must keep the original documents. Digital and digitalised documents are considered originals if they are authorised by the applicable national law. The Commission may accept non-original documents if they considers that they offer a comparable level of assurance.

13.1.1 Records and other supporting documentation on the technical implementation

The beneficiaries must keep records and other supporting documentation on the technical implementation of the action, in line with the accepted standards in the respective field.

13.1.2 Records and other documentation to support the costs declared

The beneficiaries must keep the records and documentation supporting the costs declared, in particular the following:

- (a) for actual costs: adequate records and other supporting documentation to prove the costs declared, such as contracts, subcontracts, invoices and accounting records. In addition, the beneficiaries' usual cost accounting practices and internal control procedures must enable direct reconciliation between the amounts declared, the amounts recorded in their accounts and the amounts stated in the supporting documentation;
- (b) for unit costs: not applicable;
- (c) for **flat-rate costs**: adequate records and other supporting documentation to prove the eligibility of the costs to which the flat-rate is applied. The beneficiaries do not need to identify the costs covered or provide supporting documentation (such as accounting statements) to prove the amount declared at a flat-rate;
- (d) for **lump sum costs**: not applicable

In addition, for **personnel costs** (declared as actual), the beneficiaries must keep **time records** for the number of days declared. The time records must be in writing and approved by the persons working on the action and their supervisors, at least monthly. In the absence of reliable time records of the days worked on the action, the Commission may accept alternative evidence supporting the number of days declared, if it considers that it offers an adequate level of assurance.

As an exception, for **persons working exclusively on the action**, there is no need to keep time records, if the beneficiary signs a **declaration** confirming that the persons concerned have worked exclusively on the action.

For costs declared by linked third parties (see Article 11), it is the beneficiary that must keep the originals of the financial statement(s) and the certificates on the financial statement(s) of its linked third parties.

13.2 Consequences of non-compliance

- (e) If a beneficiary breaches any of its obligations under this Article, costs insufficiently substantiated will be ineligible (see Article 6) and will be rejected (see Article 26), and the grant may be reduced (see Article 27).
- (f) Such breaches may also lead to any of the other measures described in Chapter 6.



1. Records and other supporting documentation

The beneficiaries (for linked third parties, *see point 10*) must keep appropriate and sufficient evidence to **prove** the eligibility of all the costs declared, proper implementation of the action and compliance with all the other obligations under the GA.

 Costs that are not supported by appropriate and sufficient evidence may be **rejected** (and other measures described in Chapter 6 may be applied as well).

The evidence must be the same as that which would be accepted by the national (tax) authorities.

The evidence must be verifiable, auditable and available. It must be persuasive enough for our auditors, who assess it according to generally accepted audit standards.⁴

Appendix 2 lists the records and documents (per cost category) that may serve as evidence.

It must be kept for at least 5 years after the balance is paid (3 years for grants up to EUR 60 000). If you throw supporting documents away during this period, you risk that the grant is reduced, that costs are rejected and that amounts already paid to you will be recovered.

We may require to see documents of any beneficiary in the consortium (both coordinator and co-beneficiaries).

If there are ongoing procedures such as audits, investigations or litigations, the evidence must be kept until these end, even if this is longer than five (or three) years.

The rules in the grant agreement do not affect national laws on keeping documents (which may require additional measures).

2. Original documents

The beneficiaries must **keep original documents**.

They will be accepted by us as originals, if considered an original under national law.


Examples:


- 1.** *The Commission will accept authenticated copies or digitally-signed documents, if national law accepts these as originals.*
- 2.** *The Commission will accept digitalised copies of documents (instead of hard copies), if this is acceptable under national law.*

This means that documents should be kept in the format in which they were received or created:

- documents received or created in paper form should be kept in paper form
- documents received or created electronically should be kept in their electronic format.

Hard copies of original electronic documents are not needed.

 Costs that are not supported by appropriate and sufficient evidence may be **rejected** (and other measures described in Chapter 6 may be applied as well).

 If you are asked to provide supporting documents, it is enough to send **copies**.

3. Records for actual costs

For actual costs, the beneficiaries must:

- keep detailed records and other supporting documents to prove the eligibility of the costs declared
- use cost accounting practices and internal control procedures that make it possible to verify that the amounts declared, amounts recorded in the accounts and amounts recorded in supporting documentation match up.

Best practice: The information included in the financial statements for each budget category (i.e. personnel costs, other direct costs, indirect costs) must be broken down into details and must match the amounts recorded in the accounts and in supporting documentation.

Examples:

1. For costs declared in category A.1 (employees or equivalent) and A.2 (natural persons under direct contract and seconded persons): the costs must be detailed for each person carrying out work for the action (individual daily rate multiplied by the actual days worked for the action). They must match the accounting records (i.e. general ledger transactions, annual financial statements) and supporting documentation (i.e. labour contracts, collective labour agreements, applicable national law on taxes, labour and social security contributions, payslips, time records, bank statements showing salary payments, etc.).

2. For costs declared in category D.1, D.2, D.3 and D.4 (other direct costs): the beneficiary must keep a breakdown of costs declared by type (i.e. travel costs and related subsistence allowances, depreciation, costs of other goods and services etc.). It should be able to provide details of individual transactions for each type of cost. For depreciation, it must be able to provide details per individual equipment used for the action. Declared costs must match accounting records (i.e. general ledger transactions, annual financial statements) and supporting documentation (i.e. purchase orders, delivery notes, invoices, contracts, bank statements, asset usage logbook, depreciation policy, etc.).

4. Records for unit costs set by the EU (if any)

For unit costs, the beneficiaries must keep:

detailed records and other supporting documents to prove the number of units declared.

It is NOT necessary to keep records on the actual costs incurred.

The Commission/Agency may access the accounting records, but will reject costs only if the number of units declared is incorrect. (The actual costs of the work are not relevant).

If the Commission/Agency detects an irregularity or fraud in the action's implementation, it may reduce the grant.

5. Records for flat-rate costs

For flat-rate costs, the beneficiaries must:

- keep detailed records and other supporting documents to prove that the costs to which the flat rate is applied are eligible.


Example: For the flat rate of 7% of indirect costs, the auditors will verify (and the beneficiaries must be able to show) that:

- a) the actual direct costs are eligible, using the detailed records and supporting documents explained above;
- b) the following costs were excluded: subcontracting costs, the costs of resources made available by third parties not used on the beneficiary's premises and financial support to third parties from the pool of actual direct eligible costs to which the flat rate applies.

It is NOT necessary to keep records on the actual costs incurred.

6. Records for personnel costs — Days worked for the action

The records for personnel costs depend on whether the person worked exclusively for the action or not.

 Exclusive work or not matters ALSO for the calculation of the costs to be declared (— in this case they must be calculated through an simple monthly rate; see Article 6.2.A).

For **persons who work exclusively for the action** (regardless if they are full-time or part-time employees), the beneficiary may either:

- sign a declaration on exclusive work for the action (one per reporting period), to confirm that the person worked exclusively for the action, either:
 - during the whole reporting period
- or
- during an uninterrupted time-period, covering at least a full calendar month within the reporting period.

Best practice: Beneficiaries should take a prudent approach and use this possibility only if it is planned that the person works exclusively on the action during a long and continuous period of time. If there are any doubts, a record of actual hours worked should be kept (*e.g. time-sheets*).

'Exclusive work' means that the person carried out NO OTHER activities for the beneficiary than those of the action.

Intermittent (i.e. sporadic or random) periods of 'exclusive' dedication can NOT be subject of a declaration. If a person worked randomly for the action after an uninterrupted time-period covered by a declaration, time-sheets are needed for the period of random work.

Example: *The person worked for the action exclusively from 15/02 to 31/05 and then worked again in the action some days in July and October and the full month of November. The declaration will cover the period from 15/02 to 31/05 and time records must be kept for the time the person worked for the action in July, October and November.*

If a person worked under different regimes during the reporting period (exclusive and non-exclusive), the declaration may be used ONLY for a period of exclusive work. The other months must be recorded with time-sheets.

If there were several periods of exclusive work during one reporting period, the beneficiary may choose to use the declaration for the longest one (and use the monthly time-sheets for the others).

The declaration must be **dated** and **signed** by the person concerned AND the supervisor.

- keep **time records**.

Best practice: If the person works exclusively for the action during a *full financial year*, it is strongly recommended that the beneficiary signs the 'declaration on exclusive work for the action' (— even if the person keeps time records). In this way, the declaration can serve as evidence that the person worked for the action all her/his annual productive hours.

For **persons who do NOT work exclusively for the action**, the beneficiaries must:

- show the actual hours worked, with reliable **time records** (*i.e. time-sheets*) either on paper or in a computer-based time recording system.

Time records must be dated and signed at least monthly by the person working for the action and his/her supervisor.

If the time recording system is computer-based, the signatures may be electronic (*i.e. linking the electronic identity data (e.g. a password and user name) to the electronic validation data, with a documented and secure process for managing user rights and an auditable log of all electronic transactions*).


Time records should include, as a minimum:

- the title and number of the action, as specified in the GA
- the beneficiary's full name, as specified in the GA
- the full name, date and signature of the person working for the action
- the number of hours worked for the action in the period covered by the time record
- the supervisor's full name and signature
- a reference to the action tasks or work packages of Annex 1, to which the person has contributed by the reported working hours.

Information included in time-sheets must match records of annual leave, sick leave, other leaves and work-related travel.

A template for time-sheets with these minimum requirements is available on Portal Reference Documents. (This template is not mandatory; beneficiaries may use their own model, provided that it fulfils the minimum conditions and it contains at least the information detailed above.)

If time records are not reliable, the Commission may exceptionally accept **alternative evidence** if it proves the number of hours worked on the action with a similar (or at least satisfactory) level of assurance (assessed against generally-accepted audit standards).

 The Commission has full discretion to accept or refuse the alternative evidence and there is no entitlement to it. Beneficiaries that rely on alternative evidence bear the **full risk** of refusal and rejection of costs by the Commission.

Examples of possible alternative evidence (non-exhaustive list): *travel documents proving participation in a project meeting (boarding pass, obliterated travel ticket, hotel invoice, etc.); agenda and minutes of the meeting; attendance lists; working papers; laboratory log books; professional/personal diaries; documents related to presentations; scientific publications; correspondence such as letters, notes, memos, emails; etc.*

The auditors will use the following three criteria to assess how credible the alternative evidence is:

1. Clear identification of the person concerned
2. Clear link to the project under scrutiny
3. Possibility to quantify time spent on project-related tasks.

Alternative evidence will only be accepted if these three criteria are met.

Example (acceptable alternative evidence):

A researcher submits the following email as alternative evidence: 'I hereby send you the results of the analysis of project XYZ that I have been working on for the last two weeks.'

Criterion 1 is met – the sender of the email is the person concerned

Criterion 2 is met – the project is identified as XYZ

Criterion 3 is met – the time is quantified: two weeks

Example (not acceptable alternative evidence):

A beneficiary submits the following email as alternative evidence: 'I hereby send you the results of the analysis recently carried out by my team.'

Criterion 1 is not met – it is unclear who the person concerned is; the team members and their contributions are unknown

Criterion 2 is not met: the project name is not mentioned

Criterion 3 is not met – the time is not quantified

10. Records of (linked) third parties

The beneficiaries must ensure that **linked third parties** comply with the same obligations in terms of keeping appropriate and sufficient evidence.

***Example:** Linked third parties that carry out work themselves must document all their costs in the same way the beneficiaries do. However, it is the beneficiary who must keep the original financial statements and the certificates on financial statements of the linked third parties.*

The beneficiaries must also ensure that they keep appropriate and sufficient evidence related to **partner organisations** and **subcontractors**.

***Examples:** The beneficiaries must keep evidence showing that subcontractors fulfilled their obligations in terms of the visibility of EU funding. Alternatively, they may ensure that the subcontractors keep this evidence.*

Specific case (records of linked third parties):

Financial statements and certificates on the financial statements (CFS) — It is the beneficiary that must keep the originals of the financial statements and the certificates on the financial statements of the linked third parties.

APPENDIX 2 – LIST OF RECORDS & SUPPORTING DOCUMENTS PER COST CATEGORY


Personnel costs


All staff categories

- The total cost of the employee (comprising actual salary, statutory social security charges and other statutory costs included in the remuneration) and the amount allocated to the project
- Proof of regular salaries (salary grids) in your organisation.

Staff working exclusively on the project


- Their existing contract with the beneficiary
- Assignment letter, specifying their tasks, a reference to the project and the duration of their allocation to it
- Declaration on exclusive work
- Monthly salary slips
- Proof of payment.


 Such staff must be registered in the beneficiary's payroll and accounting system.

 Timesheets are NOT required.

Staff allocated partly to the project


- Their existing contract with the beneficiary
- Timesheets (or equivalent time-recording system)
- Salary slips
- Proof of payment
- Calculation of the daily rate requested


 Such staff must be registered in the beneficiary's payroll and accounting system.

 Timesheets are mandatory.

Natural persons with direct contract (non-permanent staff)

- Direct contract with the beneficiary with description of tasks, the duration of the contract, working time and remuneration
- Timesheets (or equivalent time-recording system)
- Invoices stating tasks performed, date, number of days worked and amount to be paid
- Proof of payment.

 The calculation of the eligible costs for such persons follows the same rules as for employees (i.e. daily or monthly rate, depending on part-time or exclusive work on the action — except if the grant agreement explicitly allows for calculation on the basis not of time spent, but deliverables). The daily rate must be calculated according to the rules in the grant agreement.

 If the person does not work exclusively for the project, timesheets are mandatory.

Travel & subsistence costs

Travel costs

- Copies of tickets (*airplane, train, bus, etc.*), including boarding passes when applicable
- Copies of invoices for flight or rail tickets (if bought online, a confirmation email is acceptable, providing it states the price paid)
- Travel by car: reimbursement claim, explanation of the reimbursement calculation, copy of the internal reimbursement policy, if available (maximum of the equivalent first-class rail fare)
- Proof of payment
- Attendance list signed by the participants (for meetings and conferences).

Subsistence costs

- Expenses claim form indicating place, date and time – signed and dated by the employee and the organisation authorising the expenditure (employer)
- Proof of accommodation (hotel invoice)
- Copies of all receipts related to food and beverages, local transport and other expenses
- Attendance list signed by the employees
- Proof the employee was reimbursed for their claimed costs.

If per diems (*applying the beneficiary's usual policy*)

- Copy of the beneficiary's internal policy
- Reimbursement claim
- Attendance list signed by employees
- Proof of reimbursement of the claimed costs to the employee.

Direct costs of subcontracting

- Invoice
- Documentation of the procedure used to award contracts: copies of bids received, records related to the award process (*comparisons of individual bids, minutes of meetings, etc.*)
- Proof of payment
- Subcontracting agreement.




The **subcontracting agreement** should include the following terms:

- goods/service to be provided and links with the project (*it is advisable to include a reference to the project*)
- start and end dates
- 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/penalties for non-performance or late completion.


Equipment

- Copies of invoices stating when the equipment was purchased and delivered
- Proof of payment
- Calculation of the amount requested
- Internal rules on depreciation.

 Invoices related to the purchase of goods or equipment must bear the grant reference, date of purchase and delivery. Invoices for services must also specify the date(s) the services were provided.

Other goods & services

- Invoice, stating the following:
 - editing – type/name of the publication and number of pages/words
 - translations – title of the publication/document, translated languages (from-to) and number of pages/words
 - printing – type/title of the publication, number of pages and number of copies
 - conferences – detailed calculations of the relevant costs, e.g.:
 - for *room rental* – number of participants, number of days/hours of the stay
 - for *interpreting services* – cost per interpreter per day, languages involved)
- Procedure used to award contracts:
- Copies of price offers requested, including the description of the good or service to be provided
- Copies of bids received
- Records related to the award procedure (*comparisons of individual bids, minutes of meetings, etc.*)
- Proof of payment.

 Invoices related to the purchase of goods or equipment must bear the grant reference, date of purchase and delivery. Invoices for services must also specify the date(s) the services were provided.

Indirect costs

No supporting documents are required (amount automatically calculated as flat-rate of the eligible direct costs).