



FREQUENT ASKED QUESTIONS

Update: October 2021



This FAQ is a collection of questions and answers on H2020 Financial Issues regarding the SPRINT PROJECT and will be regularly updated. This document is intended to clarify problematic areas but is not legally binding.

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Calculating Personnel cost:

A: general case – hourly rate calculated as defined in the model GA – **ACTUAL COSTS**

For the number of **actual annual productive hours** there are three options

- (i) **1720 hours** (fixed number of hours for persons working full time; or corresponding pro-rata for persons working part time) - You must use this option if the employment contract does not specify the working time conditions or if the 'annual workable hours' cannot be determined
Example: - 40-hour-week – contract over 32 hours corresponds to 80% of the 40-hour-week – $100 \times 32 : 40 = 80\%$ - annual productive hours: 1376 (=80% of 1720)
1720 is a fixed number used to calculate your hourly rate; your actual productive hours in the timesheets are used to calculate the total personnel cost to claim.
- (ii) Individual annual productive hours: annual workable hours (according to law/collective agreement/employment contract taking into account holiday entitlement, public holidays etc.) + overtime – absences (sick leave etc.)
- (iii) Standard annual productive hours of the beneficiary: calculated according to usual cost accounting practice; the standard annual productive hours must be at least 90% of the annual workable hours (see option 2).

B: if you use average costs – hourly rate calculated by the beneficiary in accordance to its usual accounting practices and if you are a SME owner without a salary or a natural person without a salary – hourly rate formula fixed by the commission – **UNIT COSTS**

SME owners declaring personnel cost:

SME owners that do not have an employment contract with their company – usually they invoice the company (The owner is remunerated by other means (dividends, service contracts, other non-employment contract). This hourly rate is indicated in the Grant Agreement (unit cost per hour). The unit cost per hour is multiplied by the hours worked for the project. Keep in mind that the maximum number of working hours per SME owner per year is of 1720 and you cannot declare more.

- $4\,880^* / 143$ hours}
- multiplied by
- {country-specific correction coefficient of the country where the beneficiary is established}}
- The country-specific correction coefficient is the one set out in the *H2020 Work Programme (section 3 MSCA)[3]* in force at the time of the call.
- * EUR 4 880 for calls under Work Programme 2018-2020.
- $EUR\ 4\,880 / 143 * 139.8\% = EUR\ 47,71 / hour$ (example of UK SME owner)

How to report equipment cost:

Cos of Equipment purchased or usage **is allowed** for the purposes of carry out can be charged as a direct cost to the project, according to the beneficiary's usual accounting practice. **Depreciation** is charged in each relevant periodic report.

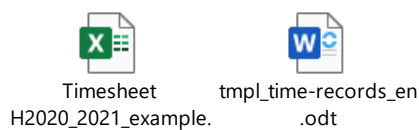
The cost of equipment in the budget is the “depreciation value” calculated for the actual time in which the equipment will be used during the project execution.

There is no need to provide evidence demonstrating the procurement costs.

Usually, computers and laptops, being basic office equipment, would be accounted for as indirect costs. However, if the equipment can be directly and exclusively linked to the project and if it is in accordance with the usual accounting practices of the institution, such costs may also be accounted for as direct costs. (e.g. computer with a high processing power necessary for the project and usually not used as general office equipment).

It is allowed to charge the use of own equipment on the project, provided that the depreciation period has not been completed yet and that only the use for the project is claimed. In general, the national depreciation rules have to be applied during the project period. However, it is not always easy to define "full time" or "part time" use of equipment. Some universities/organizations have a standardised system for monitoring the times of use of equipment (time sheet for equipment). Alternatively, the costs are often covered by the indirect costs.

Time Sheets:



The timesheet needs to be adapted to your organisation's records. **Please find enclosed a template for time-sheets in excel. I also have enclosed as example that of the EC .** You may also use your own model, provided that it fulfills the minimum conditions and it contains at least the information detailed below.

Information included in time-sheets must match records of annual leave, sick leave, other leaves and work-related travel. In other words: hours declared by researchers for Horizon 2020 projects during their holidays cannot be charged to the project.

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.

Time must be recorded through a reliable time recording system (time sheets or equivalent) a SME owner without a salary or a natural person without a salary – hourly rate formula fixed by the commission – **UNIT COSTS**

Example: - 40-hour-week – contract over 32 hours corresponds to 80% of the 40-hour-week – $100 \times 32 : 40 = 80\%$ - annual productive hours: 1376 (=80% of 1720)
1720 is a fixed number used to calculate your hourly rate; your actual productive hours in the timesheets are used to calculate the total personnel cost to claim

FAQ – Third Parties

Summary table with options for involving third parties

Third Party	Main features						MGA Article
	Does work of the action	Provides resources or services	What is eligible?	Must be indicated in Annex 1	Indirect costs eligible	Rules for selecting the third party	
Contractors (providing goods, works or services)	no	yes	Price quoted	no	yes	- Best value for money - Avoiding conflict of interest	Article 10
Subcontractors	yes	no	Price quoted	yes	no	- Best value for money - Avoiding conflict of interest	Article 13
Third party providing in-kind contributions	no	yes	Costs incurred	Yes	Yes	Cannot be used to circumvent the standard Horizon 2020 rules for participation	Articles 11 and 12
Linked third party	yes	no	Costs incurred	yes	yes	Must be affiliated to/ have a legal link with the beneficiary and be eligible for funding	Article 14
International partners	yes	no	n/a	yes	n/a	Must not be eligible for funding in Horizon 2020	Article 14a
Financial support to third parties	Available only if allowed in the call The activities involve providing financial support to the target population			yes	no	According to conditions set out in Annex 1	Article 15

The Horizon 2020 Model Grant Agreement (MGA) envisages the following main options for the involvement of third parties:

- Contracts for goods, works and services Article 10
- Third parties providing in-kind contributions against payment Article 11
- Third parties providing in-kind contributions free of charge Article 12
- Implementation of action tasks by subcontractors Article 13
- Implementation of action tasks by linked third parties Article 14

- Implementation of action tasks by international partners Article 14a

The option allowing international partners not receiving EU funding to be involved as third parties (Article 14a) was introduced in v.4.0 of the MGA (February 2017) and does not apply to earlier versions of grant agreements.

In addition, and only if explicitly allowed in the relevant Horizon 2020 Work Programme or call, beneficiaries may provide financial support to third parties under Article 15. Such support can take various forms (e.g. prizes, scholarships, non-repayable financial assistance, etc.) and can be awarded to natural and legal persons.

Subcontracting Questions

the difference between contracts for goods works and services and subcontracts?

In general, contracts to purchase goods, works or services (Article 10) do not cover the implementation of action tasks but are necessary for the beneficiaries to implement these tasks. Furthermore, they are usually limited in value and scope and do not need to be described in Annex 1 of the grant agreement. An example would be a contract for an audit Certificate on the Financial Statements (CFS), which is required to implement the tasks on a Horizon 2020 action but is not an action task itself. On the other hand, subcontracts (Article 13) imply the implementation of specific tasks, which are part of the action and are explicitly mentioned in Annex 1.

When preparing their proposals, applicants will need to decide what will become an action task described in Annex 1 and what will not – this can vary significantly depending on the nature of the project, and must done on a case-by-case basis, bearing in mind that the difference between the two options is not always clear-cut. This will then form the basis for a subsequent decision on whether a contract or a subcontract will be required. Applicants should also take into account that contracts for goods, works and services attract overheads, while subcontracts do not. The direct cost of each subcontract will be deducted from the overall budget when the flat rate for indirect costs is applied.

the main rules to be followed when choosing subcontractors/contracts for goods, works and services on a Horizon 2020 action?

The main rules are ensuring ‘best value for money’ and ‘avoiding conflict of interest

What constitutes a conflict of interest when awarding subcontracts/contracts in Horizon 2020?

A conflict of interest exists if, for example, shared interests influence the contract/subcontract’s award procedure or the price, which no longer corresponds to the market price. Examples of conflicts of interest are included in the annotations to Article 35 of the Annotated MGA.

subcontract part of the work to another beneficiary on the project or an affiliate?

Subcontracting between beneficiaries is not allowed under the same grant agreement. If one beneficiary needs the services of another in order to perform its part of the work on the actions, the second beneficiary should declare the relevant costs for that work.

Similarly, subcontracting to affiliates is normally not allowed, unless they have a framework contract with the beneficiary, or the affiliate is the beneficiary’s usual provider and the subcontract is priced at market conditions. Otherwise, these affiliates may work on the action as linked third parties, under Article 14, and they must declare their own costs.

Does the best value for money principle require a competitive selection procedure in all cases?

No, the best value for money principle does not require competitive selection procedures in all cases, but the applicant must be able to demonstrate how best value for money was ensured in other ways.

How can I ensure that the price charged by a subcontractor represents best value for money?

The safest thing to do is to go through a competitive selection procedure, which will normally require the applicant to collect at least three quotes for the goods, works or services.

If the beneficiaries are 'contracting authorities' or 'contracting entities' (within the meaning of the EU public procurement directives **2014/24/EC** and **2014/25/EC** — or any EU legislation that replaces these directives), they must also comply with the applicable national law on public procurement. These rules normally provide for special procurement processes for the types of contracts they cover.

Can I provide the names of the future subcontractors in the application form?

No, the names of the subcontractors are, in principle, not needed at the application stage as, in most cases, they will need to be selected in a competitive selection procedure.

Do subcontractors need to follow the Horizon 2020 funding model (100% + 25%) when charging costs?

No, subcontractors do not charge their actual costs, but name a price, which can include a profit.

Can I use a framework contract to select a subcontractor?

Yes, framework contracts can be used for selecting a provider if this is the usual practice of the beneficiary, for example for specific types of goods or services. In order to be eligible, the framework contract must be 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.

I am a coordinator of a Horizon 2020 action. Can I subcontract tasks related to the coordination of the project to another entity?

No, coordination tasks, such as the distribution of funds, review of reports and other tasks listed under Article 41.2(b) of the MGA cannot be subcontracted. Other activities of the coordinator may, in principle, be subcontracted to other organisations

Can I as partner/beneficiary hire/contract someone (reallocating within the same budget)?

Yes this is possible but you have to offer this person a (temporary) contract, or through an employment agency (uitzendbureau).

Can I charge the cost of a subcontract that had not been foreseen at the time of the signature of the grant agreement, and thus not indicated in Annexes 1 (Description of the Action) and 2 (Budget of the Action)?

If the need for a subcontract is not foreseen at the moment of the signature of the grant agreement, the coordinator should normally request an amendment in order to introduce it in Annexes 1 and 2. Exceptionally, the Commission may approve costs related to subcontracts which are not included in Annexes 1 and 2 without formally amending the grant agreement, under the so-called 'simplified approval procedure', but the beneficiary bears the risk of the costs being rejected.

Under the simplified procedure, the new subcontract must be included and explained in the technical periodic report (section 'unforeseen subcontractor'). It is important to understand that approval will not be granted if the subcontract risks substantially changing the nature of the project.

Can we include external experts/collaborators and can they claim cost

the only cost for external experts/collaborators that can be declared is travel cost and subsistence cost (food and accommodation expenses per diems for external experts/collaborators can be declared as **Other direct cost**).

If the external collaborators are going to send an invoice for their services then it has to go through a contract for purchase of goods and services – **best value for money rule – according to procurement rules that apply for the beneficiary** (article 10 of the grant agreement Purchase of goods, works or services). Here in the Netherlands if the purchase is below 50,000 euro's no need for procurement one quotation is sufficient.

Who owns the intellectual property generated by a subcontractor?

The beneficiary remains responsible for all its rights and obligations under the grant agreement, including the tasks carried out by a subcontractor. Therefore, any subcontracts should in particular foresee that IP generated by a subcontractor belongs to the beneficiary.

EQUIPMENT

Can full cost be claimed for equipment?

Full purchase cost of equipment can be charged to the project, but full cost cannot be claimed usually only depreciation costs.

if the equipment was purchased specifically for the MINAGRIS project, and it no longer has any value afterwards, it may be written off in 48 months. You then effectively increase the full purchase price via depreciation periods. Should the purchase of equipment have a depreciation period of 60 months, while the project is running for 48 months. Normally you use the depreciation period that is customary within the organization.

The equipment must be used in the project period. **Costs of services or equipment supplied to a beneficiary** may be invoiced and paid after the project end date if the services or equipment were necessary for implementing the project and **used in the project period**. The costs of services or equipment supplied after the end of the project are NOT eligible.

Can we purchase a new computer or a hard drive and RAM for an existing computer?

Yes both are both eligible cost and can be categorized as **direct cost**.

In all cases i.e. purchase server, new computer, hard drive and RAM for existing computer the best-value-for-money principle applies.

Purchase of equipment

The main principles for eligibility of costs:

- The equipment is eligible.
- **The best-value-for-money principle (or if appropriate, the lowest price) is respected and there is no conflict of interest.**
- The equipment is written off in accordance with the accounting principles of the Beneficiary and international accounting standards.

In order to ensure that the best-value-for-money principle is met, a Beneficiary should use competitive selection procedures (lowest price is an important factor, but it is not always automatic that the offer with the lowest price has to be selected); should take into account existing framework contracts and should follow national laws on public procurement. Purchases between Beneficiaries, in principle, are not accepted, but may be acceptable in exceptional and justified cases (e.g. Beneficiary A is a usual supplier to Beneficiary B for a specific consumable).

Can the cost of purchasing a refrigerator, which as the purchase of equipment belongs in this whole category, be added for the amount of approximately 500 Eur without a formal charge, or should all this be harmonized first? We need to buy a refrigerator with the possibility of freezing up to -20 C. The planned expenditure is approximately 500Eur. Namely, we currently have a crowd with samples at the Institute because a lot of projects are underway.

Please bear in mind although the cost of buying equipment for the scope of the project is fully eligible, the EU grant justifies **this expense ONLY for the duration of the project, thus the calculation of amortization is needed.**

Calculation tips: for each equipment type of expense: (a) cost per item, (b) amortization time (e.g. in years), (c) usage for the project (in %) and (d) use time in project (again in years). With the following simple formula, you can have the real cost for each piece of equipment in your project: $(a / b) * c * d$

Budget Transfer

Is it possible to reallocate funds within the Other direct costs category, more precisely from the Travell and/or Other goods and services subcategory to Equipment subcategory?

Yes: Budget transfers and re-allocations no amendment is needed from one budget category to another budget category so yes you can move the Travell and/or Other goods and services subcategory to Equipment subcategory.

Can I move total budget from other direct cost without official request to the EC

Yes you can move this amount between the cost categories travel, equipment, other goods and services and you can do that without official submission.

Can I move budget of travel cost to personnel cost

Yes budget transfer from other direct cost (travel) to personnel cost is allowed.

Can I move Budget transfer from personnel cost to subcontracting

Budget transfer from personnel cost to subcontracting requires normally an amendment only exception see simplified approval procedure but is very tricky.

New subcontracts — The transfer of budget intended to increase the eligible costs for 'subcontracting' is considered to reflect a significant change of Annex 1 normally requires an amendment (unless the beneficiary uses the simplified approval procedure without formal amendment provided for in [Article 13](#)).

***Example (amendment):** Beneficiary A subcontracts an action task during the action implementation, because it decided not to recruit additional personnel as initially foreseen, but to use a subcontractor. It requests an ex-ante approval via **an amendment** (see [Article 55](#))*

***Example (simplified approval procedure):** A beneficiary wants to subcontract a task that originally it was going to carry out by itself. It wants to transfer EUR 100 000 from personnel costs to subcontracting. In order to make sure that this new subcontracting is possible and its cost is eligible, this will require an amendment to the GA before the subcontracting takes place. However, the beneficiary doesn't request an amendment, but declares the change only with the next periodic technical **report (at its own risk)= tricky**. Since the Commission approves the report, the costs of the additional subcontract are eligible. Beneficiaries that rely on the simplified approval procedure bear the **full risk** of non-approval and rejection by the Commission/Agency (see [Article 13](#)).*

REPORTING:

The costs must be broken down according to the following **standard budget categories** at the end of each reporting period:

- **Personnel costs**
- **Subcontracting**
- **Other direct costs:** travel costs, equipment/infrastructure, other goods and services
- **Indirect costs**

Accounting is usually based on “**actual costs**” in line with the following requirements:

All actual costs must ...

1. **be actually incurred by the participant** (no estimated/imputed/budgeted costs),
2. **be incurred in the project period** (exception: travel costs for kick-off meeting; costs of final report submitted within 60 days of the end of the project),
3. **be included in the budget** (indicated in the estimated budget of the GA);
4. be incurred in **connection with the action and necessary for its implementation**,
5. **be identifiable and verifiable** and recorded in the beneficiary’s accounts in accordance with the applicable accounting standards and **usual cost accounting practices**,
6. comply with the applicable national laws on taxes, labour and social security, and
7. **be reasonable and justified** and comply with the principle of sound financial management (in particular regarding **economy and efficiency**).

The following costs are not eligible:

- **provisions** for future losses or debts
- **interest owed**
- **currency exchange losses**
- **deductible VAT** (Please note: However, **VAT** is an eligible cost in Horizon 2020 if the project participant is **not entitled to deduct input tax**. More information can be found under "Downloads" (see below).)

In certain cases defined in the Grant Agreement costs may also be declared as fixed “**unit costs**”. Evidence must be provided that the “units” are related to the project, necessary for implementing the project and used in the project period.

Indirect costs are reimbursed at a **flat rate** in Horizon 2020. No documentary evidence is necessary. Lump-sum accounting is currently not possible for standard actions (RIA, IA, CSA).

The costs per project must not exceed the **maximum grant amount** specified in the GA. If the requested financial contribution of a beneficiary exceeds a specific value (325,000 euros in “actual costs” and “average personnel costs”) a Certificate on the Financial Statements (CFS) issued by a qualified auditor must be submitted together with the final report.

In addition to the costs incurred by the beneficiaries, the receipt of the project must also be reported. Please note that receipts may lead to a reduction of the grant.

Cost accounting and signing of the financial statements by the “**Financial Signatory (FSIGN)**” of the organisation are carried out **electronically in the Funding & Tender Opportunities Portal**

Personnel costs for employees

Personnel costs for employees are the most important personnel cost category in practice (Art. 6.2.A.1 of the GA). An hourly rate must be calculated for each employee, which is multiplied by the number of hours worked on the action (**personnel costs = hourly rate x project hours**).

The hourly rate can be calculated on an annual or monthly basis. The annual hourly rate is calculated by dividing the annual **gross gross costs** (i.e. salary, ancillary wage costs and other mandatory salary components) by the annual productive hours (**hourly rate = annual gross gross costs / annual productive hours**).

Three options are available for the number of annual productive hours:

1. **1720 hours** (fixed number of hours for persons working full time; or corresponding pro-rata for persons working part time)
2. **Individual annual productive hours: annual workable hours** (according to law/collective agreement/employment contract taking into account holiday entitlement, public holidays etc.)
+ overtime – absences (sick leave etc.)
3. **Standard annual productive hours** of the beneficiary: calculated according to usual cost accounting practice; the standard annual productive hours must be at least 90% of the **annual workable hours** (see option 2).

Please note for the annual calculation: If the ongoing financial year is not closed at the time of reporting, the personnel costs from the last closed financial year have to be taken for the calculation (Example: financial year from 01/01-31/12/2020; end of the reporting period: 31/10/2020; therefore the hourly rate from the year 2019 has to be taken for the year 2020 as well).

The monthly hourly rate is calculated by dividing **monthly gross gross costs** (i.e. salary, ancillary wage costs and other mandatory salary components) by one twelfth of the annual productive hours (option 1 or 3). Special payments like the 13th/14th salary must be taken into account on a pro rata basis.

Each organisation may use only one option (monthly or annual hourly rate) per financial year.

Personnel costs for persons working on several funded actions: If the personnel costs of a person are included in several funding programmes (e.g. H2020, FP7, national projects), **a separate hourly rate** must be calculated for each programme according to the relevant guidelines. This will most probably lead to different numbers of hours and may also lead to different denominators (if the non-eligible costs differ).

Please note that the personnel costs declared per person and year must not exceed 100% of eligible personnel costs in order to **prevent double funding**. Hours that are not charged to EU projects will not be included in an audit

Other categories of personnel costs

Eligible personnel costs also include:

Art. 6.2.A.2 GA: Costs for natural persons working under a direct contract with the beneficiary other than an employment contract

Art. 6.2.A.3 GA: Costs for personnel seconded by a third party against payment: This category only includes the secondment of employees by organisations which are not temporary work agencies and do not pursue financial interests, but **not** the provision of workers by professional agencies.

Categories **Art. 6.2.A.4 GA (Costs for SME owners** who do not receive a salary) and **Art. 6.2.A.5 GA** (Costs of beneficiaries that are **natural persons** not receiving a salary) include costs for SME owners and natural persons not receiving a salary. They receive a fixed hourly rate for their services (more information can be found under "Downloads" (see below)).

Costs that are not eligible personnel costs

Temporary agency workers hired from agencies whose business model is to assign workers to user undertakings do not fall under the "personnel costs" category. These costs must be declared under "contracts" (cost category "other goods and services") or 'subcontracts'.

Persons working under a contract for work or services and **experts remunerated on a fee basis** are also considered as "contracts" or "subcontracts".

OTHER DIRECT COST

Travel costs may be incurred for project staff (participation in project meetings, presentation of project results at conferences etc.) or for external experts.

Travel costs in Horizon 2020 include **costs for arrival and departure** (round trip), **accommodation costs, per diems** and all **taxes and charges** related thereto (non-recoverable VAT, visitor's tax etc.).

All travel costs must be in compliance with the **internal rules/internal, usual practice of the beneficiary** (rules for business travel etc.). If the travel costs of external experts are reimbursed, the trip may either be booked and paid by the beneficiary or booked by the external expert him/herself and reimbursed by the beneficiary.

In addition to the internal rules, the general eligibility criteria must be met. Evidence must be provided that the trip was **"necessary" for the project** and has made an active contribution to the project.

In departure from the general rule that all costs must be incurred during the project duration, **travel costs to the kick-off meeting** are eligible even if the journey to the meeting takes place before the action starting date, provided that the meeting itself is held during the action duration.

Please also ensure that all travel costs can be **clearly assigned to the specific action**. The costs of combined travel (= private/other and project-related purpose) can only be charged to the extent of the project-related costs if

- it is the usual practice of the beneficiary to pay for such travels and
- it has been an actual cost for the beneficiary.

Equipment, research infrastructure and other assets are acquired or used in Horizon 2020 actions, only the portion of the depreciation costs allocable to the project is eligible for funding, not the purchase price.

The **depreciation rates** must be calculated according to the usual internal practice of the beneficiary under recognition of national and international rules and standards.

Eligible costs of equipment, infrastructure and other assets also include **ancillary costs** necessary for creating the prerequisites for their use (site preparation, delivery, installation etc.). The **time** of use for the project must be **documented** and evidenced, if necessary.

If the equipment is leased and not purchased, the **rental or lease costs** are eligible provided that they follow the beneficiary's usual practices and do not exceed the costs of purchasing the equipment (i.e. are not higher than the depreciation costs of similar equipment). Non-eligible costs (financing costs) must be deducted.

Other goods and services include different goods and services purchased by the beneficiaries from external suppliers in order to be able to carry out their tasks within the project.

Examples of "other goods and services" include consumables, catering, printing, graphics and translations, open access publications, costs of audit certificates from qualified auditors (Certificate on the Financial Statements, CFS) as well as licence and patent fees.

Unlike subcontracting costs, these are **not "action tasks"** (i.e. project tasks as specified in the Grant Agreement)), but goods and services required by the beneficiaries themselves to implement "action tasks". The goods and services must be purchased from the supplier offering the **best value for money** and/or the **lowest price**.

Internal invoicing costs belongs to this cost category other **goods and services**

All internally invoiced costs must be **directly measurable and verifiable** and must be **broken down into budget categories**. It is not possible to charge internal costs as **global costs** covering several budget categories (all-in average costs).

Contrary to the FP7, it is also **not possible** to charge **average costs**. Internally invoiced costs may not include indirect costs or a profit margin or mark-up.

The **use** of the invoiced goods and services for the project and the **time of use** must be documented. An "internal invoice" is not necessary, but the beneficiary must document the **methodology of calculation** (which must be part of the usual cost accounting practice of the beneficiary).

Please also note that the hourly rate for **internally invoiced personnel costs** must be calculated according to the **Horizon 2020 rules** and the staff concerned must keep compliant time records (time sheets)

Indirect Cost: Please note that goods and services which are treated as indirect costs in accordance with the beneficiary's usual practice may not be charged as direct costs in EU projects.

Indirect costs (overheads) are charged at a flat rate of 25 % of the eligible direct costs (with the exception of some specific costs, especially subcontracting costs) in Horizon 2020.

"**Indirect costs**" are costs which are necessary for implementing the project, but are not "directly" linked to it (because their share in the project cannot be exactly established). **Typical examples** include costs of renting, operating costs, cost of office equipment, telephone and copy costs.

All beneficiaries receive a flat rate of **25 % of their eligible direct costs**, which covers all their indirect costs. **No indirect costs** are added to subcontracting costs, in-kind contributions by third parties that are not used on the beneficiary's premises (e.g. use of research infrastructure of a third party on the

premises of that third party), for "financial support to third parties" " and other **costs in special budget categories** that include indirect costs (i.e. these costs are not considered when calculating the 25 % flat rate).

This flat rate is paid **irrespective of the actual amount** of indirect costs and automatically calculated in the "financial statement". Any indirect costs exceeding this amount must be borne by the beneficiaries themselves.

FAQ

A new person joined the company (and worked for the project for 5 months), for whom we do not have salary data for 12 months from a previous closed financial year. Can we use his actual costs?

YES

- Hourly rate can be calculated based on monthly salary / monthly productive hours (either 1720/12 or standard);
- Any bonuses included in the salary should be charged on pro-rata basis (i.e. only bonus "earned" for 5 months should be included).

It is our normal practice to hire temporary workers via work agency. Can we report them under personnel costs?

NO

- For personnel costs, there should be a direct contract with the person;
- Only contracts signed directly with individual persons can be considered under personnel costs category;
- However, such costs may be eligible as "purchase of a service" (Article 10) or as a "subcontracting cost" (Article 13)

Can we charge VAT?

YES

Not all VAT is eligible !

- Only non-deductible part of the VAT is eligible under H2020, i.e. the part of the VAT that is reimbursed /claimed back from tax authorities is not eligible;
- deductible VAT, even if it cannot be identified, cannot be charged to the project (!)

Is freight to customers eligible under H2020?

YES

- Transport cost to customers as part of the installation costs for demo projects would be eligible as needed to deliver and install an equipment;
- However, any duty/customs tax related to that delivery is ineligible

Are there general conditions for travel to be considered? (e.g. maximum prices for hotels etc.) Do we need a prior approval for international travel

NO

- Your internal travel policy (i.e. use of flat rates for daily allowances) / usual practice needs to be respected;
- We recommend to identify all major overseas travel (e.g. international conferences) in DoA and provide clear link to/clarify why needed for the project;
- A choice of a more expensive hotel would need to be justified (for audit purposes)

Are the indirect costs verified during the audit?

NO

- Make sure that no costs of indirect nature are included in the direct costs;
- Make sure that in case of third parties providing in-kind contributions, there is no double-charging of indirect costs.

Is there a possibility for third parties providing in-kind contributions to charge indirect costs?

YES

- if the in-kind contributions are NOT used on the beneficiary's premises (but, for instance, on the third party's premises);
- Same rule applies: 25% of the direct costs (not the actual indirect costs);
- Verify that the indirect costs are not charged twice

We receive national funding in addition to and for the project – is it considered receipts to be declared?

- National funding explicitly dedicated to a certain project is considered "receipt", as project-specific in-kind contributions received by Beneficiary;
- General national subsidy to work on various research projects shall not be considered receipts as not specifically dedicated/intended for the project;
- If you won national funding to work on a similar research project => this is not receipts as considered to be a completely separate project

Is it correct that beneficiaries are required to declare receipts received in support of a specific EU project only at final report?

YES

- Receipts shall be declared at final period, yet recommended to monitor receipts during project life to ensure non-profit rule compliance: Art. 5.3.3 The grant must not produce a profit;
- Art. 5. Receipts will be taken into account only at (final) payment and must be declared in Final report (yet beneficiaries free to do so also in periodic reports);