Eligibility of expenditures

EIT Urban Mobility - Mobility for more liveable urban spaces

EIT Urban Mobility

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Co-funded by the European Union

Contents

1. Eligibility of costs

The information contained in this document refers to the Regulation (EU, Euratom) 2018/1046 and to version 1.0 of the Horizon Europe Model Grant Agreement (HE MGA) of 1 June 2021.

This document aims at providing the applicants with short guidance on the eligibility of costs of the projects co-funded by EIT Urban Mobility. All applicants must get familiar with the HE MGA to ensure their expenditures are eligible and incurred following the HE rules and requirements in the event their proposals are successful.

Additional information can be found in the current pre-draft version of the Annotated Model Grant agreement[1] that guides the beneficiaries to better understand and interpret their Grant agreements.

1.1 General financial principles

Grants are subject to the principles laid down in the Financial Regulation (Regulation (EU, Euratom) 2018/1046), outlined in Art. 188-193:

- **Equal treatment**: the general principle of equal treatment and non-discrimination requires that comparable situations are not treated differently unless differentiation is objectively justified.
- **Transparency**: Grants shall be awarded following a publication of calls for proposals, except in the cases referred to in Article 195 of the same regulation.
- **Co-financing**: Grants shall involve co-financing. As a result, the resources necessary to carry out the action or the work programme shall not be provided entirely by the grant. Co-financing may be provided in the form of the beneficiary's own resources, income generated by the action or work programme or financial or in-kind contributions from third parties.
- **Non-cumulative award and no double financing**: Each action may give rise to the award of only one grant, there can be no duplicate European Union funding of the same expenditure. The applicant must indicate the sources and amounts of any other funding received or applied for in the same financial year for the same action or for any other action and for routine activities (running costs).
- **Non-retroactivity**: Unless otherwise provided in this Article grants shall not be awarded retroactively. A grant may be awarded for an action which has already begun provided that the applicant can demonstrate the need for starting the action prior to signature of the grant agreement. In such cases, costs incurred prior to the date of submission of the grant application shall not be eligible, except: (a) in duly justified exceptional cases as provided for in the basic act; or (b) in the event of extreme urgency for measures referred to in point (a) or (b) of the first paragraph of Article 195 whereby an early intervention by the Union would be of major importance.

[1] Applicants may always refer to the most updated version of the Annotated Model Grant agreement provided by the EC.

- **No-profit rule:** The EU grant may not have the purpose or effect of producing a profit for the beneficiary. Profit is defined as a surplus of the receipts over the eligible costs incurred by the beneficiary when the request is made for payment of the balance. The receipts referred to above shall be limited to income generated by the action as well as financial contributions specifically assigned by donors to the financing of the eligible costs. Any income of the action must be indicated in the estimated budget and the final financial statement. If the final amount results in a profit for the beneficiaries, the amount of the grant will be reduced by the percentage of the profit corresponding to the Union contribution to the eligible costs of the action actually incurred by the beneficiaries.
- **Record—keeping:** According to the AGA, the beneficiaries must — for a period of 5 years (> €K60) or 3 years (<€K60) after the payment of the balance — keep records and other supporting documentation to prove the proper implementation of the action and the costs they declare as eligible.

1.2 Eligible budget categories

All 'eligible costs' must be broken down according to the following budget categories, as defined in Art. 6 of the Horizon Europe Model Grant Agreement:

A. **Personnel costs:** the proposal must contain a calculation of the time that a person working for the beneficiary will likely spend on the project. This estimated working time must be stated in the project proposal as so-called "person-month".

B. **Subcontracting:** cost of services to implement a specific task described in the proposal. Only a limited part of the action may be subcontracted and included in the project budget. Beneficiaries must choose subcontractors on "best value for money" competitive selection procedures, requesting several offers.

C. Purchase costs

   - C.1. Travel, accommodation, and subsistence costs: all these costs may be incurred for project staff (participation in project meetings, presentation of project results at conferences, etc.) or for external experts (such as a guest speaker).
   - C.2. Depreciation for purchase of equipment: if equipment, research infrastructure or other assets are acquired or used in a project, only the portion of the depreciation costs allocable to the project is eligible for funding, not the purchase price.
   - C.3. Other goods and services: mainly including 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.

D. Other costs

   - D.1. Financial support to third parties: costs for providing financial support to third parties (in the form of grants, prizes, or similar forms of support) are eligible, if and as declared eligible in the call conditions, if they fulfil the general eligibility conditions, are calculated on the basis of the costs actually incurred.

E. **Indirect costs** (overheads) are charged at a flat-rate of 25 % of the eligible direct costs (categories A-D mentioned above, except B. subcontracting costs and D.1. financial support to third parties)

Non eligible costs:

- costs related to return on capital and dividends paid by a beneficiary
- debt and debt service charges
- provisions for future losses or debts
- interest owed
- currency exchange losses
- bank costs charged by the beneficiary's bank for transfers from the granting authority
- excessive or reckless expenditure
- deductible VAT (non-deductible VAT is eligible)
- costs incurred or contributions for activities implemented during grant agreement suspension
- costs incurred during suspension of the implementation of the action
- costs declared under another EU/Euratom grant (double funding is not allowed)

1.3 General conditions for eligibility of costs

All costs must meet the following criteria:

- be **actually incurred by the beneficiary** (no estimated/imputed/budgeted costs),
- 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),
- be **included in the budget** (indicated in the estimated budget of the GA; for more information see budget transfers set out in Art. 5.5 of the HE MGA),
- be incurred in **connection with the action** and **necessary for its implementation**,
- be **identifiable and verifiable and recorded** in the beneficiary's accounts in accordance with the applicable accounting standards and **usual cost accounting practices**,
- **comply with the applicable national laws** on taxes, labour, and social security, and
- be **reasonable** and **justified** and must comply with the principle of **sound financial management** (in particular regarding economy and efficiency).

In addition, for direct cost categories (e.g., personnel, travel & subsistence, subcontracting and other direct costs) only costs that are ***directly* linked to the action implementation** and can therefore be attributed to it *directly* are eligible. They must not include any *indirect* costs (i.e., costs that are only indirectly linked to the action, e.g., via cost drivers).

In-kind contributions provided by third parties free of charge may be declared as eligible direct costs by the beneficiaries which use them (under the same conditions as if they were their own, provided that they concern only direct costs and that the third parties and their in-kind contributions are set out in Annex 1 (or approved ex-post in the periodic report, if their use does 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; 'simplified approval procedure').

Finally, as set out in Art. 20 of the HE MGA, each beneficiary 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 Grant Agreement. The evidence must be verifiable, auditable, and available. It must be correctly archived for the duration of the project indicated in the Grant Agreement. In general, the evidence must be kept for at least 5 years after final payment or longer if there are ongoing procedures (audits, investigations, litigation, etc.).