

Eligibility of expenditures

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Eligibility of costs

This document aims at providing the applicants with short guidance on the eligibility of costs of the activities funded or co-funded by EIT Manufacturing. 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 version of the [Annotated Model Grant agreement](#)¹ that guides the recipient of the activity to better understand and interpret Horizon Europe's full range of provisions that are applicable to the grants.

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 recipient of the grant'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 that has already begun provided that the applicant can demonstrate the need for starting the action prior to the 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

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

paragraph of Article 195 whereby an early intervention by the Union would be of major importance.

- **No-profit rule:** The EU grant may not have the purpose or effect of producing a profit for the recipient of the grant. Profit is defined as a surplus of the receipts over the eligible costs incurred by the recipient of the grant 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 applicants, 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 applicants.
- **Record—keeping:** According to the AGA, the applicants 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.

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 recipient of the grant will likely spend on the activity. The cost must be limited to salaries (including net payments during parental leave), social security contributions, taxes, and other costs linked to the remuneration, if they arise from national law or the employment contract (or equivalent appointing act) and be calculated based on the costs actually incurred, in accordance with the following method:

{daily rate for the person

multiplied by

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

The daily rate must be calculated as {annual personnel costs for the person divided by 215}

The number of day-equivalents declared for a person must be identifiable and verifiable (see Article 20).

- 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 activity budget. The consortium must choose subcontractors on “best value for money” competitive selection procedures, requesting several offers.
- C. **Purchase costs**

- Travel, accommodation, and subsistence costs: all these costs may be incurred by activity staff (participation in activity meetings, presentation of activity results at conferences, etc.) or external experts (such as a guest speaker).
- Depreciation for purchase of equipment: if equipment, research infrastructure, or other assets are acquired or used in an activity, only the portion of the depreciation costs allocable to the activity is eligible for funding, not the purchase price. The depreciation costs eligible should be calculated in accordance with the local accounting rules in place.
- Other goods and services: mainly including consumables, catering, printing, graphics and translations, open access publications, as well as license and patent fees.

D. Other costs

- 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 fulfill the general eligibility conditions, are calculated based on the costs incurred.
- Internally invoiced goods and services: means goods or services which are provided within the applicant's organization directly for the action and which the applicant values on the basis of its usual cost accounting practices.

E. Indirect costs (overheads) are charged at a flat rate of 25 % of the eligible direct costs (categories A + C +-D mentioned above, except volunteers' costs, subcontracting costs, financial support to third parties, and exempted specific cost categories if any)

Non-eligible costs:

- Costs arising between the organization of the consortium (selling/purchasing goods or services within the consortium)
- Costs related to return on capital and dividends paid by a recipient of the grant
- Debt and debt service charges
- Provisions for future losses or debts
- Interest owed
- Currency exchange losses
- Bank costs charged by the recipient of the grant'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 the suspension of the implementation of the action
- Costs declared under another EU/Euratom grant/local funding (double funding is not allowed)

General conditions for eligibility of costs

All costs must meet the following criteria:

- be **incurred by the recipient of the grant** (no estimated/imputed/budgeted costs),
- be **incurred in the activity period**,
- be **included in the budget** submitted at the proposal stage,
- be incurred in **connection with the action** and **necessary for its implementation**,
- be **identifiable and verifiable and recorded** in the recipient of the grant'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 good 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 applicants 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 the proposal).

Finally, as set out in Art. 20 of the HE MGA, each recipient of the grant 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 activity 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.).