



# EIT Manufacturing

Eligibility of Expenditures



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# THE ELIGIBILITY CRITERIA (DERIVED FROM THE MAIN REFERENCE ANNOTATED MODEL GRANT AGREEMENT)

- The cost must be incurred (no estimation, provision) by the beneficiary.
- It must be incurred during the year of **2023** (*From January to December*) only.
- Incurred in connection with the action, necessary for the implementation
  - no bank costs, FX, interests, bad debt provision
- They must be declared under one of the budget categories Direct Costs (see next slides)
- They must be identifiable and verifiable.
- Comply with national law on taxes, labor and social security.
- They must be reasonable, justified and must comply with the principle of sound financial management (*best value for money*).

# THE ELIGIBILITY CRITERIA (CONT.)

- 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
  - recipient own resources;
  - income generated by the action
  - financial or in-kind contributions from third parties (treated as their own, and described in the proposal) See example from AMGA
- Each action = One Grant, no duplicate of European Grants.
- No profit on Grant, no surplus margins (selling/purchasing) inside the consortium

# EXTRACT 1 FROM AMGA

## General > Article 6.1 In-kind contributions for free

### 6. Conditions for eligible in-kind contributions for free (HE)

If eligible under the Grant Agreement (*only for HE*), the beneficiaries/affiliated entities may charge costs for in-kind contributions made available for free.

**What?** These cover the costs, which a third party has for resources it contributes to the action for free (*i.e. made available for free for use by the project*).

They must be **declared** under the budget category the beneficiary would use if they were its own costs (*e.g. 'Personnel costs for seconded persons', 'Equipment costs', 'Costs for other goods, works and services', etc*), as actual or unit cost, depending on the rules of the budget category.

*Example: Depreciation costs of equipment contributed free of charge must be declared in budget category D.2 Equipment (Article 6.2.C.2).*

In addition to the general and specific **eligibility conditions** of the budget category used (*see Article 6.1 and 6.2*), they must be limited to the *direct* costs incurred by the third party.

*Example: A person not receiving a salary and who is the (co)owner of a SME is being seconded by this SME (third party) to a beneficiary. The direct costs incurred by the SME can be declared via the SME owner unit cost (daily rate) (see Article 6.2.A.4)*

Moreover, the in-kind contribution and the contributing third party must be mentioned in Annex 1 (*simplified approval procedure allowed; see below*).

# EXTRACT 2 FROM AMGA

## 4. SME owners and natural person beneficiaries (A.4): Types of costs — Forms — Eligibility conditions — Calculation

**4.1.1 What?** If eligible under the Grant Agreement (*all Programmes except SMP ESS, EUAF, CUST, FISC, CCEI, PERI*), the beneficiaries/affiliated entities may charge 'SME owner/natural person beneficiary costs'.

This budget category covers the costs of two types of persons:

- Persons who are directly<sup>4</sup> owners or co-owners (regardless of their percentage of ownership) of the beneficiary, if the beneficiary is an SME and the person is not an employee of the beneficiary. It applies also to SME owners whose work in the action for the beneficiary is remunerated via any type of non-employment contract (e.g. a service contracts), via profit distribution or by any remuneration method other than a salary resulting from an employment contract.
- Beneficiaries who are natural persons; i.e. who signed the Grant Agreement on her/his own name as individuals, not on behalf of another legal person (e.g. a company).

**What not?** SME owners who receive a salary (registered as such in the accounts of the SME) cannot declare personnel costs under this budget category, unless they can show that this salary corresponds exclusively to the management of the SME (and is therefore not linked to the action).

**4.2.2** These costs must be **declared** using the unit cost (daily rate) fixed by Decision C(2020) 7115<sup>5</sup> and set out in [Annex 2a](#).

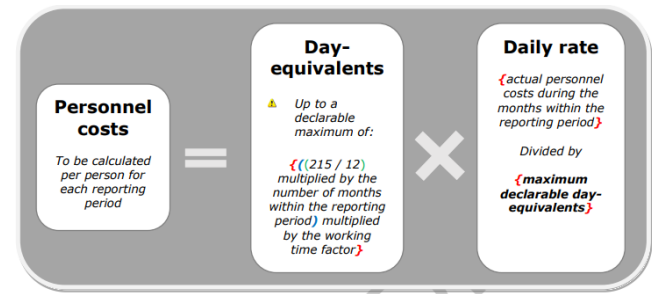
**4.2.3** The costs must comply with the following **eligibility conditions**:

# COST CATEGORIES

- Direct costs - Personnel costs (daily rates calculation)
  - Costs for employees or equivalent
  - Cost for natural persons working under a direct contract
  - SME Owners
- Direct costs - Purchase costs
  - Travel, accommodation and subsistence
  - Equipment
  - Other goods and services

→ The above-mentioned cost categories are the basis of calculation for the 25% indirect costs

- Subcontracting costs
- Others
  - Financial support to 3<sup>rd</sup> parties (grants, prizes)
  - Internally invoiced goods and services (provided within the applicant's organization for the action)



# ILLUSTRATIVE EXAMPLES

## ▪ Example 1

Project starting from January-21 till December-21, during the month of **May 21** cost has been incurred for a **training** on the new software on predictive maintenance developed within the consortium. The cost of **1 000€** is declared under **cost of services**.

Is the cost incurred by the beneficiary? **Yes**/~~No~~

Is it incurred during the eligibility period? **Yes**/~~No~~

Is it incurred in connection with the action? **Yes**/~~No~~

Is it identifiable and verifiable? **Yes**/~~No~~

Does it comply with national law and comply with best value for money principle? **Yes**/~~No~~

Is it declared under the right cost category? **Yes**/~~No~~

# ILLUSTRATIVE EXAMPLES

## ▪ Example 2

Project starting from January-21 till December-21, a **training** for the new software on predictive maintenance developed within the consortium is planned with **external organizations in January 2022**, the costs of **booking the facilities** occur in December 2021. The cost of the facilities are **2 000€** declared under **cost of services**.

Is the cost incurred by the beneficiary? **Yes**/~~No~~

Is it incurred during the eligibility period? **Yes**/~~No~~

Is it incurred in connection with the action? ~~Yes~~ / **No** → **This relates to the post project implementation**

Is it identifiable and verifiable? **Yes**/~~No~~

Does it comply with national law and comply with best value for money principle? **Yes**/~~No~~

Is it declared under the right cost category? **Yes**/~~No~~



# ILLUSTRATIVE EXAMPLES

## ▪ Example 3 1/2

Project related to the new software on predictive maintenance developed within the consortium, engaged 2 people for the beneficiary A. Employee X1 has spent 100% of time on the project and employee X2 80%.

- Employee X1 has a gross salary of 60, social contribution and taxes are 40 for the full year
- Employee X1 receive a bonus of 5 for the 2021 year and 4 for the previous performance of 2020 as foreseen in the employment contract

→ **The cost of employees must be declared at daily rate**

Cost to be declared for Employee X1 will be

$$((60+40+5)*1)/215 = 0,488 \text{ per day}$$

The bonus paid in 2021 is eligible when defined in a contract and related to the performance of the year, the additional bonus from 2020 is not eligible and cannot be declared.

# ILLUSTRATIVE EXAMPLES

## ▪ Example 3 2/2

Project related to the new software on predictive maintenance developed within the consortium, engaged 2 people for the beneficiary A. Employee X1 has spent 100% of time on the project and employee X2 80%.

- Employee X2 has a gross salary of 40, social contribution and taxes are 25 for the full year

→ **The cost of employees must be declared at daily rate**

Cost to be declared for Employee X2 will be

$$((40+25)*0,8)/215 = 0,242 \text{ per day}$$

→ Under Horizon Europe the hourly rate (standard rate at 1720 hours) does not apply anymore, the calculation and amounts declared have to be done on the basis of a daily calculation.

# TIPS AND REMINDER

- ✓ 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
  - Full cost of equipment cannot be claimed, **except exemption approved by EIT**
  - no amortization from previous years
- ✓ All employees related costs can be claimed **if and only if** this is included in the employment contract and/or defined by national laws
  - **Personnel costs calculations are daily rate based**
- ✓ If you are not VAT deductible, then VAT is considered as a cost for you, and **you can declare it**
- ✓ **Local GAAP must be followed** and should **remain consistent** from your local accounting to the costs declared to EIT - same rules applied

# Thank you!



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