

Cost Categories Guidance

Business operations Desk

Personnel Costs

Costs related to personnel working for the beneficiary (*) under an employment contract (or equivalent appointing act) and assigned to the action.

Employees under direct contract, actual costs

- Actual costs of employees working under an employment contract. Costs must be calculated based on actual time spent working on the action.
- When calculating these costs, may take into account gross cost of employee including salary, social security, taxes, pension and other benefits.
- Supporting timesheets must be kept.

For persons who work for the action (regardless if they are full-time or part-time employees and/or if they work exclusively or not for the action), the beneficiary may either:

- by default, sign a monthly declaration on days spent for the action ([template](#)).

OR

- Use another paper- or computer-based reliable time recording system (must be dated and signed at least monthly by the person working for the action and their supervisor), to record all the time (days/hours) worked in the action.

Natural Persons working under direct contract

- Self-employed natural persons with a direct contract with beneficiary (cannot be a contract with a third party)
- Person must work under conditions similar to those of an employee, e.g. work in same premises, results of work belong to beneficiary, remuneration should not be significantly different to employees performing similar tasks
- Costs must be calculated on same basis as employees, i.e. an hourly rate based on actual costs, multiplied by hours worked on action.

(*) Beneficiary: Grant or Subgrant recipient.

Personnel Continued

Personnel seconded by a third party

- This cost category should be used for personnel under a secondment agreement, either paid or provided free of charge by a third party
- Costs should be actual, and calculated in the same way as other staff costs are reported

Personnel, SME owners without a salary

- If SME (*) owners are not in a receipt of salary they may use unit costs, which provide an hourly rate based on country.
- This is only applicable to individuals, and you must be able to provide evidence that no payment of salary is made to them or a third party on their behalf.

Evidence Required

- Payslips
- Proof of payment
- Fully signed employment contracts
- Fully authorized timesheets

Evidence Required for secondments

- Invoices/confirmation of actual costs from third parties if free of charge
- Proof of payment
- Fully signed secondment agreement
- Fully authorized timesheets

(SME: The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million.)

Direct Costs of Subcontracting

This budget category covers subcontracted action tasks, i.e. contracts for parts of the project described in the description of the action that are not implemented by the beneficiary itself, but by a subcontractor.

- Subcontracts are normally wide in scope (**implementation of a part of the project**, i.e. action tasks). If a contract covers only individual equipment or consumables that do not constitute an action task by itself, this will be considered as a purchase (see Article 6.2.C.2 and C.3 of AGA)
- Subcontracts may be awarded to third parties to cover implementation of specific task outlined in contract. Subcontracts and planned work **must be foreseen in the business plan/contract**. If not, then cost may be considered ineligible.
- Subcontracting must only cover a **limited part of the action**.
- Subcontracts must be awarded ensuring **best value for money**.

A **competitive selection** of subcontractors should be the default approach since it **is the safest way** to ensure no conflict of interest, best value for money or lowest price through direct comparisons between offers. However, subcontracting does NOT necessarily require competitive selection procedures to be eligible. If a beneficiary did not request several offers, it must be able to prove compliance with best value for money or lowest price (and no conflict of interest) in case of a check, review, audit or investigation.

Evidence Required

- Invoice
- Proof of payment
- Fully signed contracts
- Evidence contract delivered, e.g. report, presentation by supplier, and that it relates to the project
- Supporting procurement documentation
- Demonstration that foreseen in business plan

Specific cases (Subcontracting)

- Be aware that the following cases are not allowed:
 1. **Simplified approval procedure (new subcontracts)** — If the need for a subcontract was not known at grant signature, the coordinator must request an amendment in order to introduce it in the Annex 1 or flag it in the periodic report (simplified approval procedure). In the latter case, the beneficiaries bear however the risk that the granting authority might not approve the new subcontract and reject the costs at interim or final payment-stage later on.
 2. **Subcontracting to beneficiaries or affiliates** — Is NOT allowed in the same grant. 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 its own costs for that work.
 3. **Coordination tasks of the coordinator** (e.g. distribution of funds, review of reports and other tasks listed in Article 7) — Can NOT be subcontracted (they can only be delegated, under certain circumstances, to an entity with 'authorisation to administer' or in the case of sole beneficiaries).
 4. **Framework contracts** — 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 or lowest price and absence of conflict of interest. The framework contract does not necessarily have to be concluded before the start of the action.

Travel Costs

Travel, accommodation and associated subsistence **costs relating to the beneficiary for the delivery of the project.**

- Travel and subsistence costs may also be **eligible for persons that participate in the action on an ad-hoc basis** (e.g. attending specific meetings), if this complies with the general and specific eligibility conditions in [AGA](#) Article 6.1 and 6.2.C, in particular being necessary for the implementation of the action.

In line with the beneficiary's usual practices on travel, the beneficiary may purchase itself or reimburse these persons.

- Travel costs **related to subgrantees (students, start-ups...) must be reported under Subgranting.**
- Please note, that as well as invoices and receipts, proof may be required that the travel took place and was necessary for the implementation of the activity/project, e.g. meeting minutes, agenda or register.

Evidence Required

- Invoice/Receipts
- Proof of payment
- Evidence that the travel took place and it is related to the project
- Travel may also be reviewed against timesheets

Equipment Costs

Relates to all equipment purchased for the **implementation of the project**.

- If 100% of costs are reported, the Beneficiary will be required to prove it is used solely for implementation of the project. If used for other activities, the cost must be apportioned appropriately.
- Equipment must be reported in line with the beneficiary's usual accounting practices .
- If a beneficiary has a fixed asset policy that allows it to expense the entire cost of the equipment in the year of acquisition, then the full amount can be reported and claimed in year of purchase.
- If the policy is that the beneficiary capitalised equipment, i.e. recognises the cost of the equipment over its useful life, then the beneficiary will only be able to report and claim the portion of the cost that relates to the year. e.g. assuming a beneficiary purchases a computer with a useful life of 3 years for €300 on 1st January and is required to capitalise this in accordance with its fixed asset policy, then it can report and claim €100 in 2023 for the computer. In 2024 it will be able to claim an additional €100, and 2025 the remaining €100. (If the beneficiary is not involved in delivering the project in 2024 and 2025 then they would be unable to claim these costs)

Evidence Required

- Invoice
- Proof of payment
- Evidence that equipment relates to project
- Physical verification
- Fixed Asset Policy
- Supporting procurement documentation

Other Goods and Services

Costs of other goods and services (not subcontracts) relating to the delivery of the project, such as goods, works and services including, for instance, **consumables and supplies, promotion, dissemination, protection of results, translations, publications, certificates and financial guarantees**, if required under the Agreement.

- **Best value for money** principle must be respected.
- Staff provided by a temporary work agency — Costs for staff provided by a temporary work agency are **eligible normally under category C.3 Other goods and services** if they comply with the eligibility conditions (and **unless the temporary work agency carries out directly some task of the action, in which case** it can be considered as subcontracting and **should be declared under category B Subcontracting**).

Evidence Required

- Invoice
- Proof of payment
- Evidence that goods or services relates to project
- Supporting procurement documentation

Subgranting

Subgranting are the costs for providing financial support to third parties in the form of **grants, prizes or similar** forms of support.

- It may be given via a grant to natural persons (e.g. allowance, scholarship, fellowship) or legal persons (e.g. seed money to start-ups).
- Subgranting must be declared as actual costs.
- Support in kind (e.g. transfer of material for free) by the beneficiary to a third party is NOT considered financial support.
- The Subgranted activities should benefit, primarily, the recipients (NOT the beneficiaries).
- Travel costs related to subgrantees must be reported under Subgranting.
- **Must be foreseen in the Business Plan/contract**, and conditions for support **must** be set out in contract.
- Need to ensure that there is a **robust selection process**. Beneficiaries should describe the procedures for selecting the subgrantees.

Evidence Required

- Invoice
- Proof of payment
- Fully signed agreements/award letter
- Evidence that third party delivered appropriately
- Supporting selection documentation
- Demonstration that support foreseen in Business Plan

Prizes

- Usually a lump sum given as part of an open competition.
- Conditions for support must be set out in contract. If the prize is not detailed in the business plan/contract it will not be considered eligible.
- There are very clearly defined requirements for the cost explanations, including:
 - . Conditions for participation
 - . Award criteria for assessing entries in light of objectives and expected results (Criteria must be objective)
 - . The amount of the prize
 - . Payment arrangements (usually in one instalment)

Evidence Required

- Invoice
- Proof of payment
- Supporting selection documentation
- Demonstration that support foreseen in Business Plan

Costs of Internally Invoiced Goods and Services

Costs that the beneficiary itself produced/provided for the action, e.g. hosting services or research facilities

- Must be in line with beneficiaries usual accounting practices, which must have been applied consistently regardless of the funder, e.g. can provide evidence of charging out an internal department at same costs
- Costs must be declared as unit costs, calculated on the basis of actual costs. There can be no profit margin, or costs that would otherwise be deemed as ineligible included in this calculation.

Evidence Required

- Internal Invoice
- Demonstration that this is consistent with usual accounting practices
- Evidence that goods or services relates to project

Indirect Costs

Costs **not directly linked** to the action implementation

- Calculated on a flat rate basis of eligible direct costs (**excludes Subcontracting, Subgranting and Internally Invoiced Goods and Services cost categories**).
- In-kind contributions will attract indirect costs if the services are on the premises of the partner. If not, then no indirect cost will be eligible.
- The budgeting/reporting system should calculate the indirect costs automatically based on budgeted/reported costs.

TIPS

- In case of building a budget, please include a 30% margin in the Personnel Cost Category to cover the “contract management costs”.
- Be aware that the Indirect Costs Category usually excludes Subcontracting, Subgranting and Internally Invoiced Goods and Services cost categories. Read through the **Terms and Conditions, the percentage allowed and the affected cost categories**.
- In case that Indirect Costs are not allowed, ensure you calculate a 25% from Personnel, Travel and Other Costs categories and add the resulting amount in Other Costs as “Direct costs related to the use of premises and technologies”.
- Read through the Terms and Conditions of the bid if **costs of preparation** (prior project/activity starts) **and the costs of reporting** (from end of the project/activity until report submission) are allowed to be included in the budget.
- The budgeting/reporting system or document should calculate the indirect costs automatically based on budgeted/reported costs.

TIPS

- Ensure that all costs categories have an adequate **Cost Description**:
 - Personnel Costs: Must include roles of staff participating and FTEs or hours required for the development of the action. If allowed in Terms and Conditions, add a 30% of the foreseen budget for Personnel costs as costs of preparation and/or reporting.
 - Subcontracting: Include brief clear description of the service/s.
 - Travel & Subsistence: Include travel and subsistence costs of the **staff developing the action**. Mention people names, dates, events. Increase a 10% the foreseen budget for potential fluctuation of flights/hotels prices. It **does NOT include the costs of students/start-ups granted** (considered Subgranting Costs).
 - Other Costs: Describe briefly but clear all costs related to the action (catering, rooms for events, marketing, rollers, workshop materials...).

If Indirect Costs are not allowed, ensure you add 25% of Personnel, Travel and Other Costs, in the Other Costs Category, as “Direct costs related to the use of premises and technologies”.