Annex 3 – Eligible costs

The following text is an extract from Article 6 of the I3 Model Grant Agreement, with reference to the Annotated Grant Agreement. Any template options indicated in square brackets are included for reference purposes only and shall not be considered applicable unless explicitly reflected in the Open Call documentation or the FSTP agreement.

The provisions are provided for reference purposes and shall apply to applicants selected under this Open Call only insofar as they are relevant to the Financial Support to Third Parties (FSTP) scheme.

For the purposes of this Open Call, funding is provided in the form of a lump sum, in accordance with the conditions, eligible activities and financial provisions specified in the Open Call documentation and the agreement to be signed with selected applicants.

References to annexes, articles, cost categories and indirect cost rates in the I3 Model Grant Agreement shall not be interpreted as introducing additional requirements or funding provisions beyond those explicitly established in the Open Call documentation and the applicable FSTP agreement. In particular, the 7% flat rate for indirect costs does not constitute additional funding on top of the lump sum awarded.

ARTICLE 6 — ELIGIBLE AND INELIGIBLE COSTS AND CONTRIBUTIONS

In order to be eligible, costs and contributions must meet the eligibility conditions set out in this Article.

6.1 General eligibility conditions

The general eligibility conditions are the following:

a) For actual costs:

i. They must be actually incurred by the beneficiary.
ii. They must be incurred in the period set out in Article 4 (with the exception of costs relating to the submission of the final periodic report, which may be incurred afterwards; see Article 21).
iii. They must be declared under one of the budget categories set out in Article 6.2 and Annex 2.
iv. They must be incurred in connection with the action as described in Annex 1 and necessary for its implementation.
v. They must be identifiable and verifiable, in particular recorded in the beneficiary's accounts in accordance with the accounting standards applicable in the country where the beneficiary is established and with the beneficiary's usual cost accounting practices.

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vi. They must comply with the applicable national law on taxes, labour and social security.
vii. They must be reasonable, justified and must comply with the principle of sound financial management, in particular regarding economy and efficiency.

b) For unit costs or contributions (if any):

i. They must be declared under one of the budget categories set out in Article 6.2 and Annex 2.
ii. The units must:

- Be actually used or produced by the beneficiary in the period set out in Article 4 (with the exception of units relating to the submission of the final periodic report, which may be used or produced afterwards; see Article 21).
- Be necessary for the implementation of the action.

iii. The number of units must be identifiable and verifiable, in particular supported by records and documentation (see Article 20).

c) For flat-rate costs or contributions (if any):

i. They must be declared under one of the budget categories set out in Article 6.2 and Annex 2.
ii. The costs or contributions to which the flat-rate is applied must:

- Be eligible.
- Relate to the period set out in Article 4 (with the exception of costs or contributions relating to the submission of the final periodic report, which may be incurred afterwards; see Article 21).

d) For lump sum costs or contributions (if any):

i. They must be declared under one of the budget categories set out in Article 6.2 and Annex 2.
ii. The work must be properly implemented by the beneficiary in accordance with Annex 1.
iii. The deliverables/outputs must be achieved in the period set out in Article 4 (with the exception of deliverables/outputs relating to the submission of the final periodic report, which may be achieved afterwards; see Article 21).

e) For unit, flat-rate or lump sum costs or contributions according to usual cost accounting practices (if any):

i. They must fulfil the general eligibility conditions for the type of cost concerned.
ii. The cost accounting practices must be applied in a consistent manner, based on objective criteria, regardless of the source of funding.

f) For financing not linked to costs (if any):

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The results must be achieved or the conditions must be fulfilled as described in Annex 1.

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).

6.2 Specific eligibility conditions for each budget category

For each budget category, the specific eligibility conditions are as follows:

Direct costs

A. Personnel costs

A.1 Costs for employees (or equivalent) are eligible as personnel costs, if they fulfil the general eligibility conditions and are related to personnel working for the beneficiary under an employment contract (or equivalent appointing act) and assigned to the action.

They must be limited to:

- Salaries;
- Social security contributions;
- Taxes;
- Other costs linked to the remuneration, if they arise from national law or the employment contract (or equivalent appointing act).

They must be calculated on the basis of the costs actually incurred, in accordance with the following method:

Personnel costs = Daily rate × Number of day-equivalents worked on the action

The number of day-equivalents must be rounded up or down to the nearest half-day.

The daily rate must be calculated as:

Daily rate = Annual personnel costs for the person ÷ 215

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

The total number of day-equivalents declared in EU grants, for a person for a year, cannot be higher than 215.

The personnel costs may also include supplementary payments for personnel assigned to the action (including payments on the basis of supplementary contracts regardless of their nature), if:

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- It is part of the beneficiary's usual remuneration practices and is paid in a consistent manner whenever the same kind of work or expertise is required.
- The criteria used to calculate the supplementary payments are objective and generally applied by the beneficiary, regardless of the source of funding used.

A.2 and A.3 Costs for natural persons working under a direct contract other than an employment contract and costs for seconded persons by a third party against payment are also eligible as personnel costs, if they are assigned to the action, fulfil the general eligibility conditions and:

a) Work under conditions similar to those of an employee (in particular regarding the way the work is organised, the tasks that are performed and the premises where they are performed) and
b) The result of the work belongs to the beneficiary (unless agreed otherwise).

They must be calculated on the basis of a rate which corresponds to the costs actually incurred for the direct contract or secondment and must not be significantly different from those for personnel performing similar tasks under an employment contract with the beneficiary.

A.4 The work of SME owners for the action

A.4 The work of SME owners for the action (i.e. owners of beneficiaries that are small and medium-sized enterprises[17] not receiving a salary) or natural person beneficiaries (i.e. beneficiaries that are natural persons not receiving a salary) may be declared as personnel costs, if they fulfil the general eligibility conditions and are calculated as unit costs in accordance with the method set out in Annex 2a.

B. Subcontracting costs

Subcontracting costs for the action (including related duties, taxes and charges, such as non-deductible or non-refundable value added tax (VAT)) are eligible, if they are calculated on the basis of the costs actually incurred, fulfil the general eligibility conditions and are awarded using the beneficiary's usual purchasing practices — provided these ensure subcontracts with best value for money (or if appropriate the lowest price) and that there is no conflict of interests (see Article 12).

Beneficiaries that are 'contracting authorities/entities' within the meaning of the EU Directives on public procurement must also comply with the applicable national law on public procurement.

[OPTION if selected for the grant[18]: Subcontracting may cover only a limited part of the action.]

The tasks to be subcontracted and the estimated cost for each subcontract must be set out in Annex 1 and the total estimated costs of subcontracting per beneficiary must be set out in Annex 2 (or may be approved ex post in the periodic report, if the use of subcontracting does not entail changes to the Agreement which would call into question

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the decision awarding the grant or breach the principle of equal treatment of applicants; 'simplified approval procedure').

C. Purchase costs

Purchase costs for the action (including related duties, taxes and charges, such as nondeductible or non-refundable value added tax (VAT)) are eligible if they fulfil the general eligibility conditions and are bought using the beneficiary's usual purchasing practices — provided these ensure purchases with best value for money (or if appropriate the lowest price) and that there is no conflict of interests (see Article 12).

Beneficiaries that are 'contracting authorities/entities' within the meaning of the EU Directives on public procurement must also comply with the applicable national law on public procurement.

C.1 Travel and subsistence

Purchases for travel, accommodation and subsistence must be calculated as follows:

- Travel: as unit costs in accordance with the method set out in Annex 2a if covered by Decision C(2021)35[19] or otherwise as costs actually incurred and in line with the beneficiary's usual practices on travel.
- Accommodation: as unit costs in accordance with the method set out in Annex 2a if covered by Decision C(2021)35[20] or otherwise as costs actually incurred and in line with the beneficiary's usual practices on travel.
- Subsistence: as unit costs in accordance with the method set out in Annex 2a if covered by Decision C(2021)35[21] or otherwise as costs actually incurred and in line with the beneficiary's usual practices on travel.

C.2 Equipment

Purchases of equipment, infrastructure or other assets used for the action must be declared as depreciation costs, calculated on the basis of the costs actually incurred and written off in accordance with international accounting standards and the beneficiary's usual accounting practices.

Only the portion of the costs that corresponds to the rate of actual use for the action during the action duration can be taken into account.

Costs for renting or leasing equipment, infrastructure or other assets are also eligible, if they do not exceed the depreciation costs of similar equipment, infrastructure or assets and do not include any financing fees.

C.3 Other goods, works and services

Purchases of other goods, works and services must be calculated on the basis of the costs actually incurred.

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Such goods, works and services include, for instance, consumables and supplies, promotion, dissemination, protection of results, translations, publications, certificates and financial guarantees, if required under the Agreement.

D. Other cost categories

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; if any) 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 and the support is implemented in accordance with the conditions set out in Annex 1.

These conditions must ensure objective and transparent selection procedures and include at least the following:

a) For grants (or similar):

i. The maximum amount of financial support for each third party ('recipient'); this amount may not exceed the amount set out in the Data Sheet (see Point 3)[22] or otherwise agreed with the granting authority.
ii. The criteria for calculating the exact amount of the financial support.
iii. The different types of activity that qualify for financial support, on the basis of a closed list.
iv. The persons or categories of persons that will be supported.
v. The criteria and procedures for giving financial support.

b) For prizes (or similar):

i. The eligibility and award criteria.
ii. The amount of the prize.
iii. The payment arrangements.

Indirect costs

E. Indirect costs

Indirect costs will be reimbursed at the flat-rate of 7% of the eligible direct costs (categories A-D, except volunteers costs and exempted specific cost categories, if any).

Contributions

Not applicable

6.3 Ineligible costs and contributions

The following costs or contributions are ineligible:

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a) Costs or contributions that do not comply with the conditions set out above (Article 6.1 and 6.2), in particular:

   i. Costs related to return on capital and dividends paid by a beneficiary.
   ii. Debt and debt service charges.
   iii. Provisions for future losses or debts.
   iv. Interest owed.
   v. Currency exchange losses.
   vi. Bank costs charged by the beneficiary's bank for transfers from the granting authority.
   vii. Excessive or reckless expenditure.
   viii. Deductible or refundable VAT (including VAT paid by public bodies acting as public authority).
   ix. Costs incurred or contributions for activities implemented during grant agreement suspension (see Article 31).
   x. In-kind contributions by third parties.

b) Costs or contributions declared under other EU grants (or grants awarded by an EU Member State, non-EU country or other body implementing the EU budget), except for the following cases:

   i. [OPTION 1 by default: Synergy actions: not applicable]

      [OPTION 2 if selected for the grant: if the grants are part of jointly coordinated Synergy actions and the funding under the grants does not go above 100% of the costs and contributions declared to them]

   ii. If the action grant is combined with an operating grant[23] running during the same period and the beneficiary can demonstrate that the operating grant does not cover any (direct or indirect) costs of the action grant.

c) Costs or contributions for staff of a national (or regional/local) administration, for activities that are part of the administration's normal activities (i.e. not undertaken only because of the grant).
d) Costs or contributions (especially travel and subsistence) for staff or representatives of EU institutions, bodies or agencies.
e) Other[24]:

   i. Country restrictions for eligible costs: not applicable
   ii. Costs or contributions declared specifically ineligible in the call conditions.

6.4 Consequences of non-compliance

If a beneficiary declares costs or contributions that are ineligible, they will be rejected (see Article 27).

This may also lead to other measures described in Chapter 5.

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