
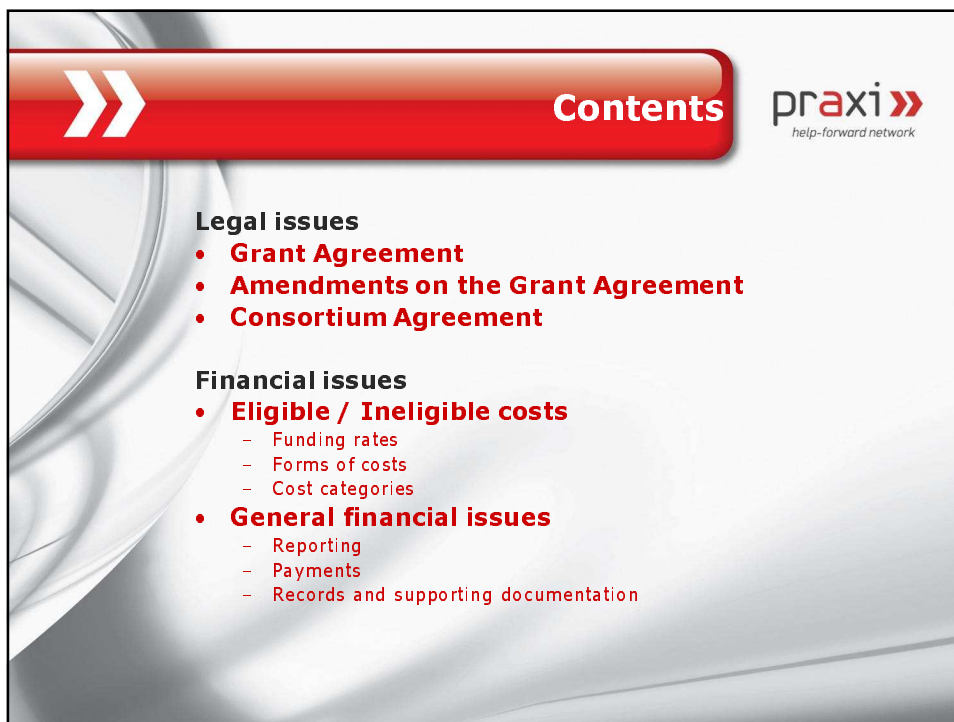



**»»** **HORIZON 2020**   
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**H2020  
Legal & Financial issues**

Vangelis Argoudelis  
HORIZON 2020 Legal & Financial National Contact Point  
PRAXI Network / FORTH



**»»** **Contents**   
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**Legal issues**

- **Grant Agreement**
- **Amendments on the Grant Agreement**
- **Consortium Agreement**



**Financial issues**

- **Eligible / Ineligible costs**
  - Funding rates
  - Forms of costs
  - Cost categories
- **General financial issues**
  - Reporting
  - Payments
  - Records and supporting documentation



## 1. Legal issues

- **Grant Agreement**
- **Amendments to the Grant Agreement**
- **Consortium Agreement**




## Legal issues

### Grant Agreement

Grant Agreement merged with former "Annex II – General Conditions"

- Chapter 1: General
- Chapter 2: Action (Duration, budget)
- Chapter 3: Grant (Grant amount, form of grant, reimbursement rates and forms of costs)
- Chapter 4: Rights and obligations of the parties
- Chapter 5: Division of beneficiaries' roles and responsibilities
- Chapter 6: Rejection of costs – reduction of the grant - penalties
- Chapter 7: Final provisions (Communication, amendments, accession to the GA)




**Legal issues**

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**Grant Agreement**

- Annex 1: Technical Annex – Description of Work
- Annex 2: Estimated Budget
- Annex 3: Accession forms
- Annex 3a: Linked third parties
- Annex 4: Financial Statement
- Annex 5: Certificate on the financial statements
- Annex 6: Certificate on the methodology




**Legal issues**

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**Changes NOT requiring an amendment to the GA:**

- (a) Change of beneficiary's legal details**
  - Change of name, address, etc
  - Change in legal status
  - Inform the Project officer with «information letter»
- (b) Universal transfer of rights and obligations (except the Coordinator)**
- (c) Budget transfers**
  - "Beneficiaries are allowed to transfer budget between different activities and between themselves in so far as the work is carried out as foreseen in Annex I"
  - Amendment required if significant impact on work plan and deliverables
- (d) Change of authorised representative**

*In any case, contact the responsible project/ financial officer*



**Legal issues**

**Changes REQUIRING an amendment to the GA:**


- Modification of Annex I
- Termination/ addition of one or more beneficiaries
- Change of coordinator/ contact details
- Partial transfer of rights and obligations
- Modification of project duration, title, acronym
- Modification of reporting periods
- Modification of the EU contribution (increase only in very exceptional cases)
- Change in banking details



**Legal issues**

**Consortium Agreement**

- **Contents**
  - **Internal arrangements between beneficiaries**
    - Decision making procedures
    - Responsibilities of partners/ coordinator (reports, deliverables, ...)
    - Governance (general assembly, WP leaders, ...)
  - **Distribution of the EU funding**
    - Prefinancing, interim payments, instalments, ...
    - Over/ under spending
  - **Rules on dissemination, use and access rights of IPR**
    - Developer = Owner (generally)
  - **Settlement of internal disputes**
  - **Addition/ Removal of beneficiaries**
- **Must not contain any provision contrary to the GA**
- **Grant Agreement prevails over Consortium Agreement**




**Legal issues**   
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**3<sup>rd</sup> countries**

- **3<sup>rd</sup> countries**= Non EU-member states

Associated countries (Albania, Bosnia, Faroe, FYROM, Iceland, Israel, Moldova, Montenegro, Norway, Serbia, Switzerland, Turkey)	<i>Free participation and automatically eligible for funding</i>
USA, Japan, Canada, Australia, Hong Kong, Russia, Brazil, China, India, ...	<i>Participation and funding under specific conditions</i>
Other 3 <sup>rd</sup> countries EXCEPT USA, Japan, Canada, Australia, Hong Kong, Russia, Brazil, China, India, ...	<i>Free participation and automatically eligible for funding</i>

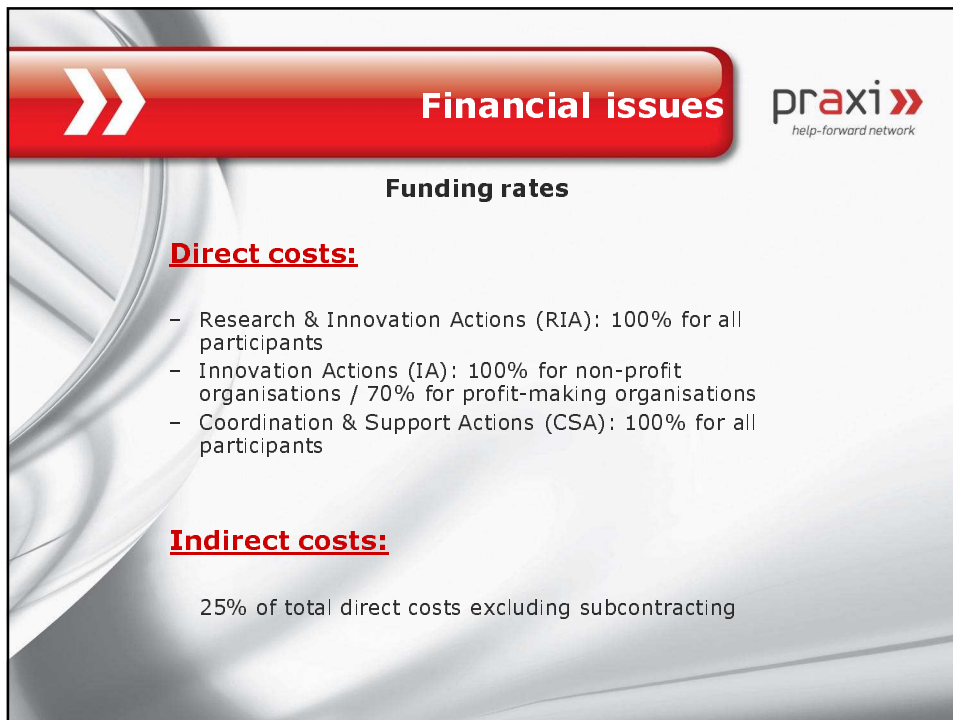
- In any case, the **minimum conditions for participation** must be satisfied: RIA/ IA: 3 independent legal entities from 3 different MS or AC, CSA: 1)




  
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**2. Financial issues**

- **Eligible / Ineligible costs**
  - Funding rates
  - Forms of costs
  - Cost categories
- **General financial issues**
  - Reporting
  - Payments
  - Records and supporting documentation



**Financial issues** 

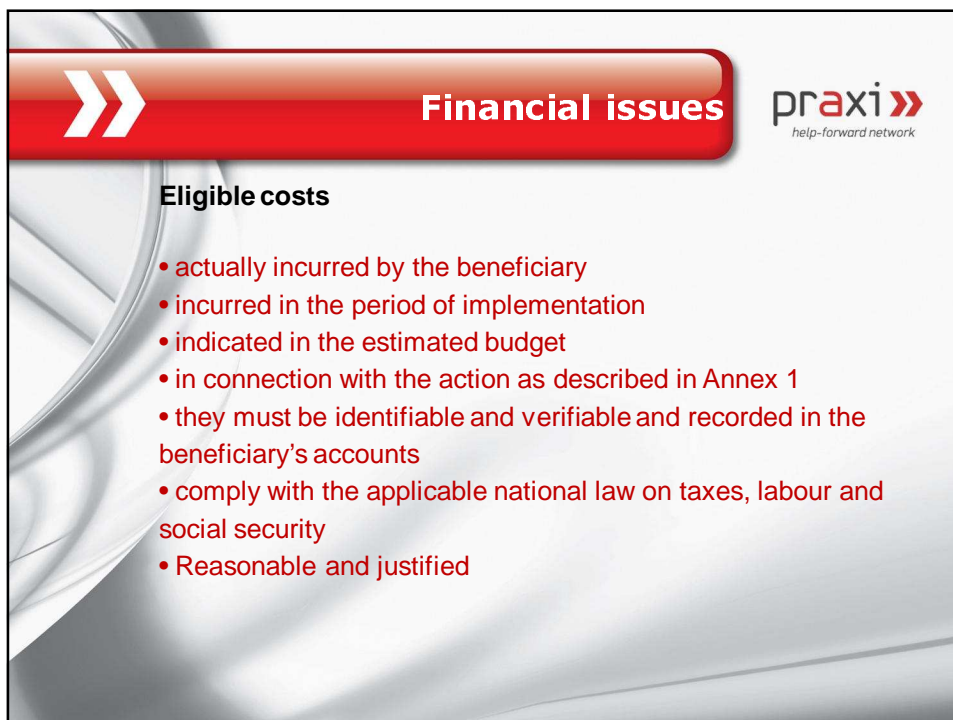
**Funding rates**


**Direct costs:**

- Research & Innovation Actions (RIA): 100% for all participants
- Innovation Actions (IA): 100% for non-profit organisations / 70% for profit-making organisations
- Coordination & Support Actions (CSA): 100% for all participants

**Indirect costs:**

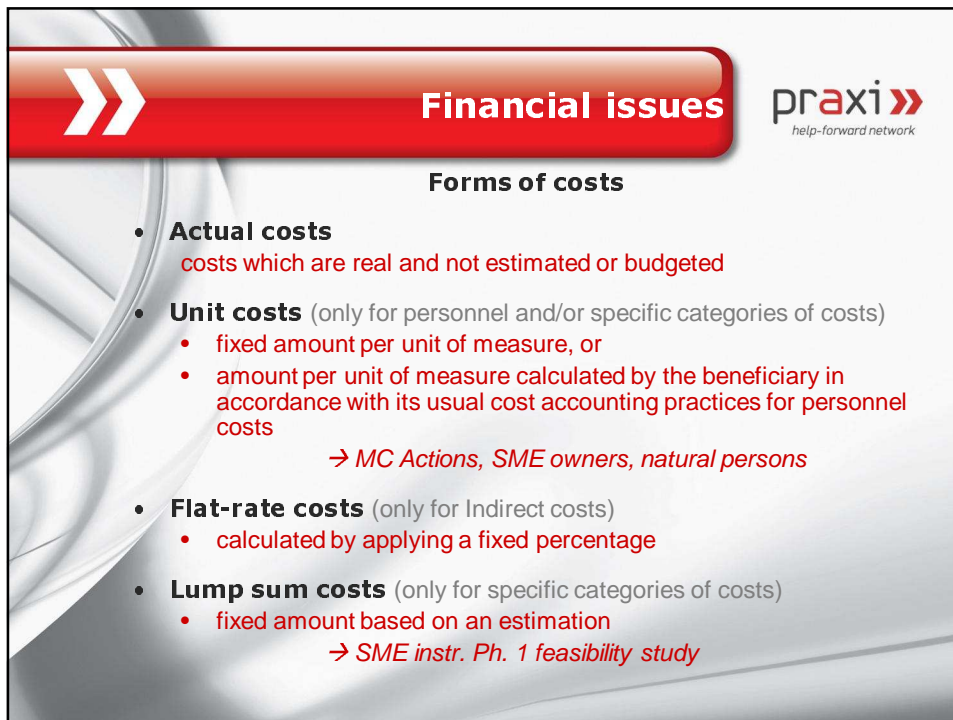
25% of total direct costs excluding subcontracting




**Financial issues** 

**Eligible costs**

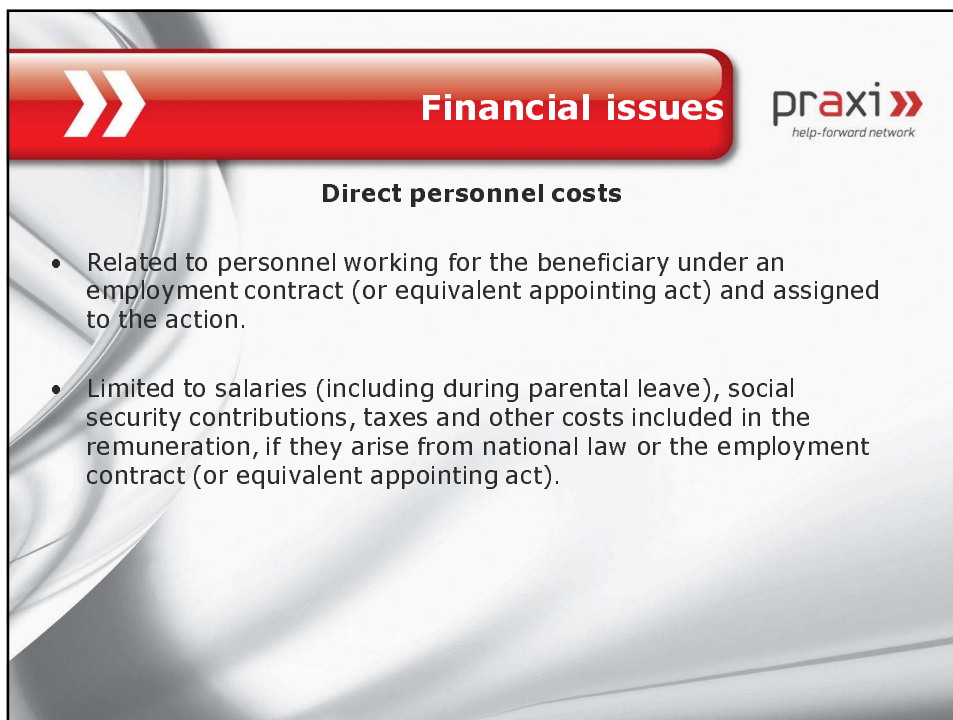
- actually incurred by the beneficiary
- incurred in the period of implementation
- indicated in the estimated budget
- in connection with the action as described in Annex 1
- they must be identifiable and verifiable and recorded in the beneficiary's accounts
- comply with the applicable national law on taxes, labour and social security
- Reasonable and justified




**Financial issues** 

**Forms of costs**

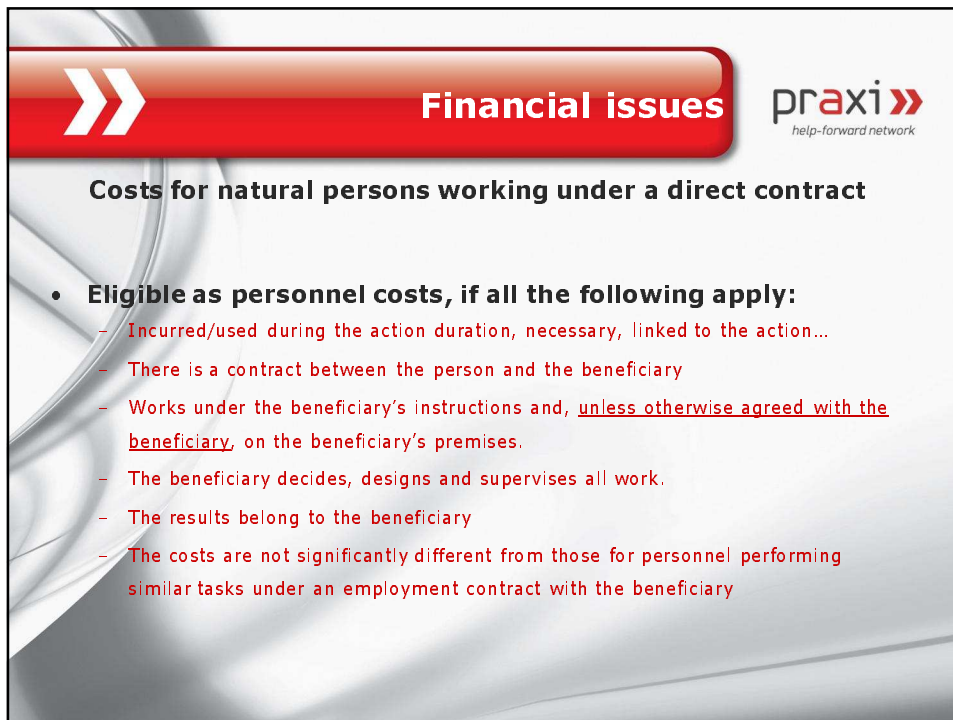
- **Actual costs**  
costs which are real and not estimated or budgeted
- **Unit costs** (only for personnel and/or specific categories of costs)
  - fixed amount per unit of measure, or
  - amount per unit of measure calculated by the beneficiary in accordance with its usual cost accounting practices for personnel costs  
→ MC Actions, SME owners, natural persons
- **Flat-rate costs** (only for Indirect costs)
  - calculated by applying a fixed percentage
- **Lump sum costs** (only for specific categories of costs)
  - fixed amount based on an estimation  
→ SME instr. Ph. 1 feasibility study




**Financial issues** 

**Direct personnel costs**

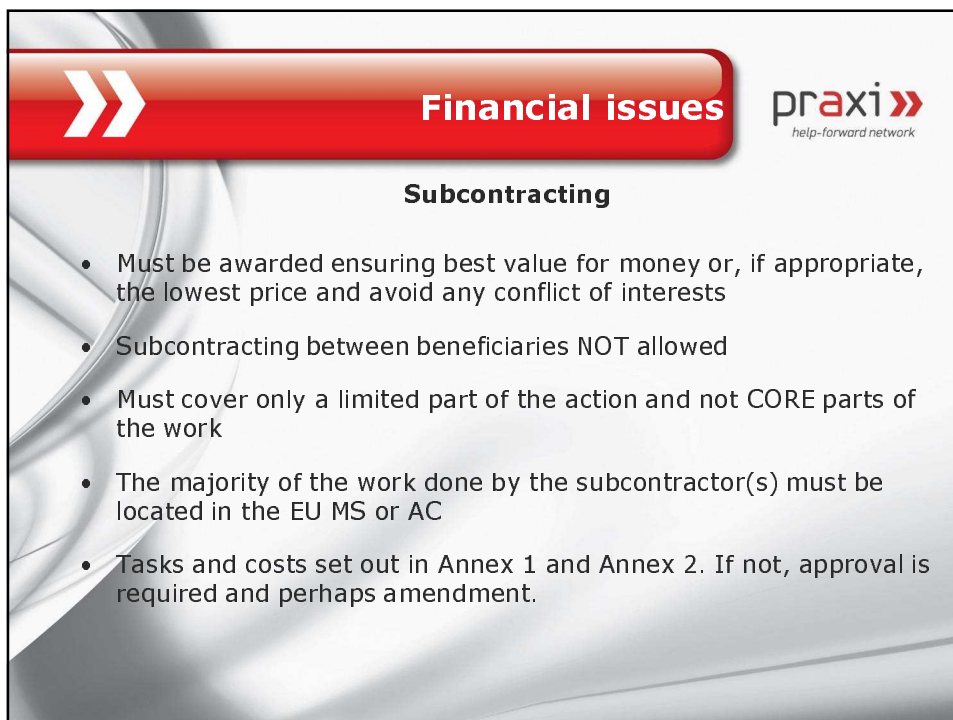
- Related to personnel working for the beneficiary under an employment contract (or equivalent appointing act) and assigned to the action.
- Limited to salaries (including during parental leave), social security contributions, taxes and other costs included in the remuneration, if they arise from national law or the employment contract (or equivalent appointing act).




**Financial issues** 

**Costs for natural persons working under a direct contract**

- **Eligible as personnel costs, if all the following apply:**
  - Incurred/used during the action duration, necessary, linked to the action...
  - There is a contract between the person and the beneficiary
  - Works under the beneficiary's instructions and, unless otherwise agreed with the beneficiary, on the beneficiary's premises.
  - The beneficiary decides, designs and supervises all work.
  - The results belong to the beneficiary
  - The costs are not significantly different from those for personnel performing similar tasks under an employment contract with the beneficiary





**Financial issues** 

**Subcontracting**

- Must be awarded ensuring best value for money or, if appropriate, the lowest price and avoid any conflict of interests
- Subcontracting between beneficiaries NOT allowed
- Must cover only a limited part of the action and not CORE parts of the work
- The majority of the work done by the subcontractor(s) must be located in the EU MS or AC
- Tasks and costs set out in Annex 1 and Annex 2. If not, approval is required and perhaps amendment.







**Financial issues**   
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**Travel and subsistence costs**

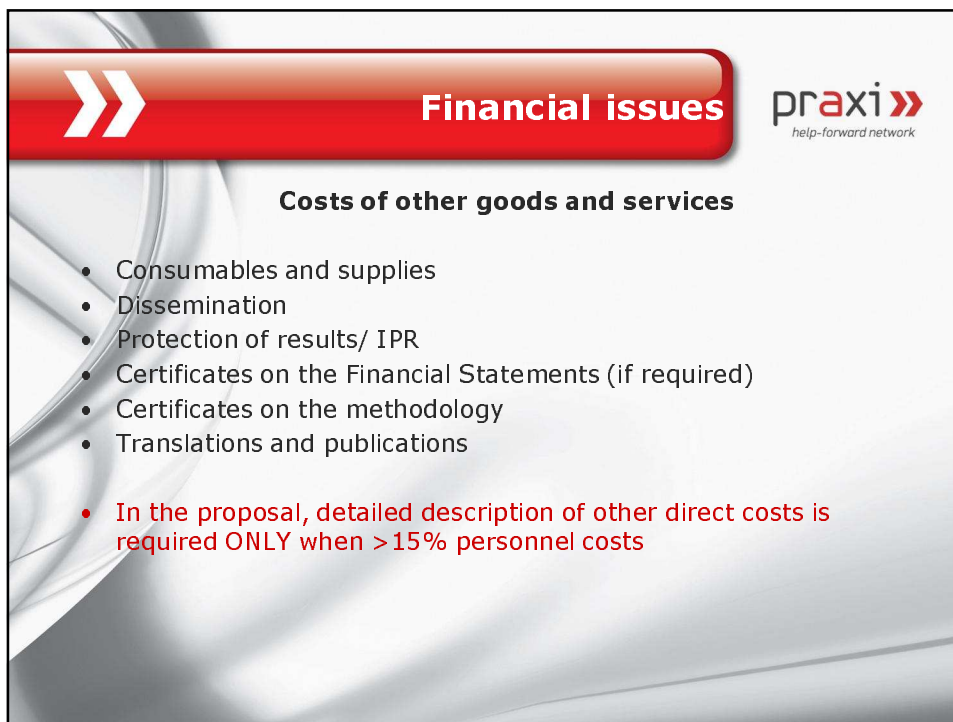
- Travel and subsistence costs for **personnel AND external experts** if described in Annex I. Expert's travel reimbursed by the beneficiary or be included in invoice.
- If the beneficiary reimburses travel and/or related subsistence allowances as a lump sum and/or per diem payment, it is the **lump sum or per diem** amount that is considered an eligible cost, not the actual prices paid by the person.
- The amount of the per diem or lump sum paid by the beneficiary must be **recorded** in the beneficiary's accounting system and will be checked in audit
- No distinction between travelling **in or outside** of Europe.
- Not planned travels: require **approval** of PO.
- Travels outside the duration?




**Financial issues**   
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**Depreciation costs of equipment**

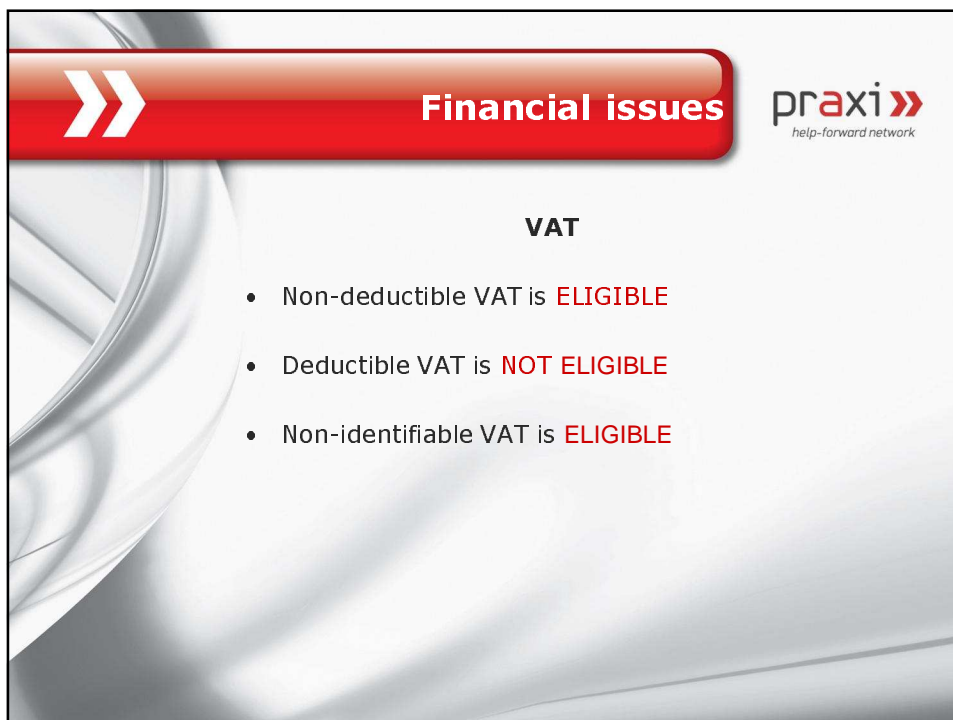
- Depreciated equipment  $\leq$  equipment's purchase price
- Depreciation period  $\leq$  equipment's useful life
- May include costs necessary for first operation (e.g. site preparation, delivery and handling, installation, etc.)
- Only the part of the equipment's 'working time' for the action may be charged (i.e. the percentage of actual use and time used for the action). The amount of use (percentage and time used) must be **auditable**
- Costs of renting or leasing equipment, eligible if they do not exceed the depreciation costs of similar equipment




**Financial issues** 

**Costs of other goods and services**

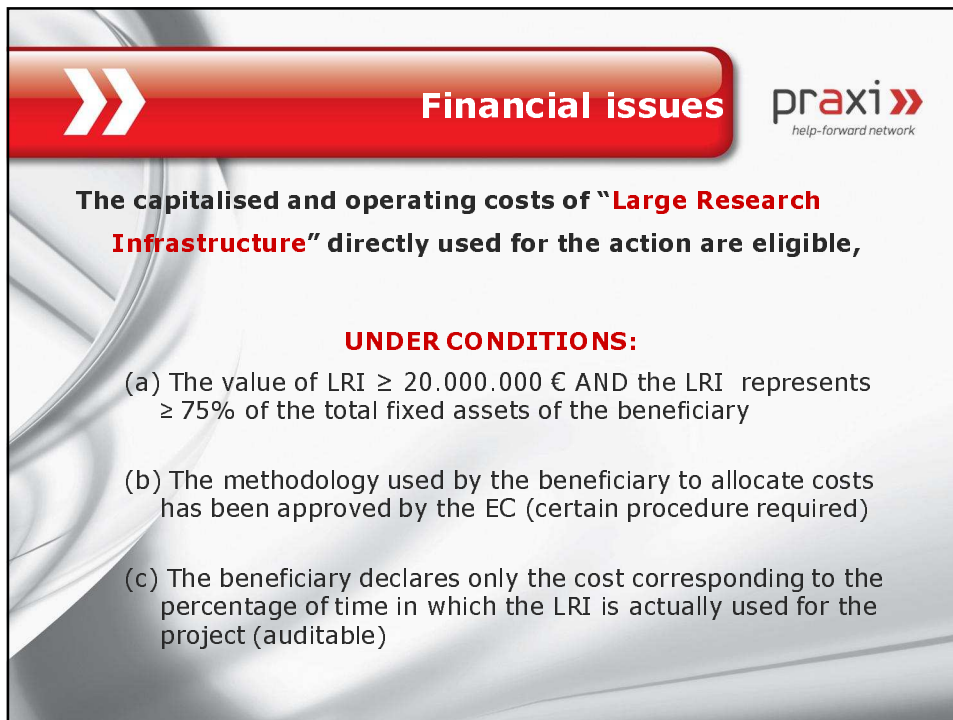
- Consumables and supplies
- Dissemination
- Protection of results/ IPR
- Certificates on the Financial Statements (if required)
- Certificates on the methodology
- Translations and publications
- In the proposal, detailed description of other direct costs is required **ONLY** when >15% personnel costs




**Financial issues** 

**VAT**

- Non-deductible VAT is **ELIGIBLE**
- Deductible VAT is **NOT ELIGIBLE**
- Non-identifiable VAT is **ELIGIBLE**

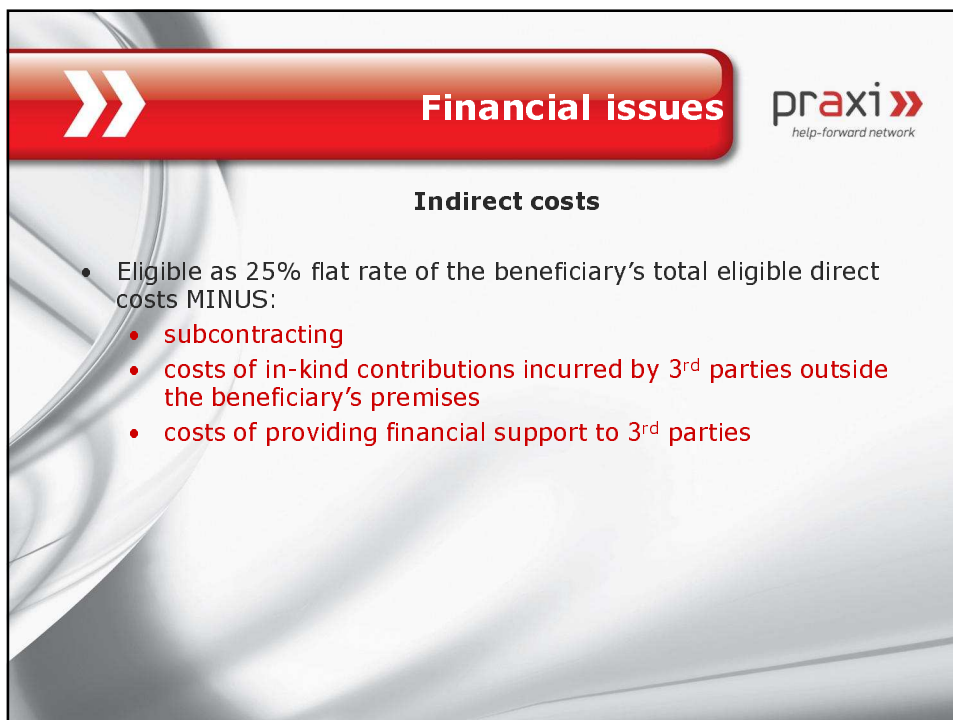



**Financial issues** 

The capitalised and operating costs of “**Large Research Infrastructure**” directly used for the action are eligible,

**UNDER CONDITIONS:**


- (a) The value of LRI  $\geq$  20.000.000 € AND the LRI represents  $\geq$  75% of the total fixed assets of the beneficiary
- (b) The methodology used by the beneficiary to allocate costs has been approved by the EC (certain procedure required)
- (c) The beneficiary declares only the cost corresponding to the percentage of time in which the LRI is actually used for the project (auditable)





**Financial issues** 


**Indirect costs**

- Eligible as 25% flat rate of the beneficiary’s total eligible direct costs MINUS:
  - subcontracting
  - costs of in-kind contributions incurred by 3<sup>rd</sup> parties outside the beneficiary’s premises
  - costs of providing financial support to 3<sup>rd</sup> parties

**Financial issues** 

	Direct costs	Indirect costs	Total costs	% EU contribution	EU contribution
Flat-rate (60 %)	100	60	160	75%	€ 120
	Direct costs	Indirect costs	Total costs	% EU contribution	EU contribution
100 / 25 Funding	100	25	125	100%	€ 125

*Note: A blue arrow points from the € 120 value in the first table to the € 125 value in the second table.*

**Financial issues** 

**Ineligible costs**

- Costs for drafting the consortium agreement
- Depreciation costs for equipment bought before the action's start
- Costs for preparing, submitting and negotiating the proposal
- Bank costs charged by the beneficiary's bank for transfers from the EC
- Currency exchange losses
- Excessive or reckless expenditure
- Deductible VAT
- Costs incurred during suspension of the implementation of the action
- Costs declared under another EU or Euratom grant
- Costs related to return on capital, Debt and debt service charges

Financial issues

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European Commission - Research - Participants  
Proposal Submission Forms

Directorate-General for Research and Innovation

Proposal ID: \_\_\_\_\_ Acronym: \_\_\_\_\_

### 3 - Budget for the proposal

Participant	Country	(A) Direct personnel costs/€	(B) Other direct costs/€	(C) Direct costs of sub-contracting /€	(D) Direct costs of providing financial support to third parties/€	(E) Costs of in-kind contributions not used on the beneficiary's premises/€	(F) Indirect Costs/€ (=0.25(A+B-E))	(G) Special unit costs covering direct & indirect costs	(H) Total estimated eligible costs/€ (A+B+C+D+E+F+G)	Reimbursement rate	(J) Max. grant / € (+H*)	(K) Requested grant / €
		0	0	0	0	0	0	0	0	100	0	0
Total		0	0	0	0	0	0	0	0		0	0

Financial issues

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**FINANCIAL STATEMENT FOR (BENEFICIARY [name]) / LINKED THIRD PARTY [name]**

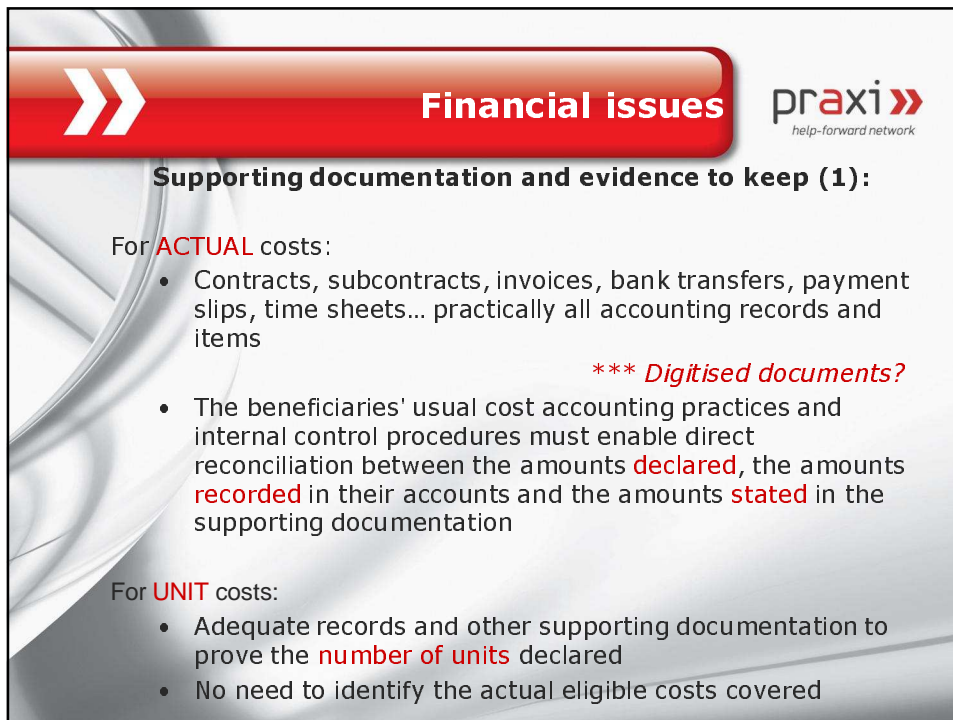
Eligible* costs (per budget category)										Receipts		EU contribution		Additional information for indirect costs:			
A. Direct personnel costs		B. Direct costs of subcontracting		C. Direct costs of in-kind support		D. Other direct costs		E. Indirect costs		[F. Costs of ...]		Total costs	Receipts		Reimbursement rate %	Maximum EU contribution	Requested EU contribution
A.1 Personnel A.2 Retained persons under direct contract A.3 Secured persons (A.0 Personnel for providing access to research infrastructure)		A.4 SME owners without salary A.5 Researchers that are natural persons without salary				D.1 Travel D.2 Equipment D.3 Other goods and services		E.1 Costs of ... E.2 Costs of ...					Receipts of the actions to be reported in the last reporting period, according to Article 5.3.3				
Form of costs****	Actual	Unit ①	Unit ②	Actual	Actual	Actual	Actual	Flat-rate ③	Unit ④	Unit ⑤							
	(a)	Total (b)	No hours	Total (c)	(e)	(d)	(f)	(g)	(h)	No units	Total (i)	Total (j)	(k)	(l)	(m)	(n)	


The beneficiary/linked third party hereby confirms that:  
 The information provided is complete, reliable and true.  
 The costs declared are eligible (see Article 6).  
 The costs can be substantiated by adequate records and supporting documentation that will be produced upon request or in the context of checks, reviews, audits and investigations (see Articles 17, 18 and 22).  
 For the last reporting period: that all the receipts have been declared (see Article 5.3.3).

① The beneficiary/linked party must declare all eligible costs, even if - for actual costs, unit costs and flat-rate costs - they exceed the amounts indicated in the estimated budget (see Annex 2). Amounts not declared in the ... will not be taken into account by the (Commission)/Agency

\* See Article 6 for conditions for costs to be eligible  
 \*\* Depending on its type, this cost will or will not include indirect costs.  
 \*\*\* Costs that include indirect costs are: costs of energy efficiency measures in buildings, costs of providing trans-national access to research infrastructure and costs of clinical studies.  
 \*\*\*\* This is the theoretical amount of EU contribution if the reimbursement rate is applied to all the reported costs. At the payment of the balance, the theoretical amount of EU contribution for the actions ... amount.  
 ① unit : hours worked on the actions; cost per unit : XX EUR  
 ② unit : hours worked on the actions; cost per unit : XX EUR  
 ③ flat rate : 25% of eligible direct costs, from which are excluded: direct costs of subcontracting, costs of in-kind contributions not used on premises, direct costs of financial support, and unit costs declared under Point F if they include indirect costs  
 ④ unit : ... ; cost per unit : XX EUR  
 ⑤ unit : ... ; cost per unit : ... (the units and the costs per unit are set out in Annex 2 of the grant agreement)  
 ⑥ only unit costs not including indirect costs to be added

+ Explanation of the use of Resources



**Financial issues** 

**Supporting documentation and evidence to keep (1):**

For **ACTUAL** costs:

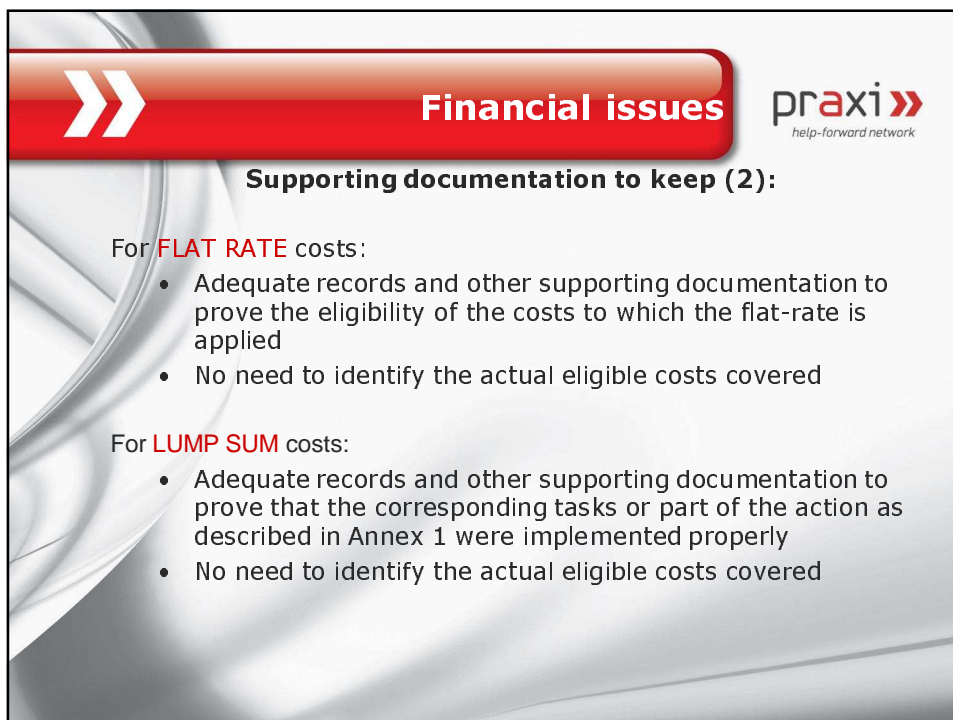
- Contracts, subcontracts, invoices, bank transfers, payment slips, time sheets... practically all accounting records and items


*\*\*\* Digitised documents?*

- The beneficiaries' usual cost accounting practices and internal control procedures must enable direct reconciliation between the amounts **declared**, the amounts **recorded** in their accounts and the amounts **stated** in the supporting documentation

For **UNIT** costs:

- Adequate records and other supporting documentation to prove the **number of units** declared
- No need to identify the actual eligible costs covered



**Financial issues** 

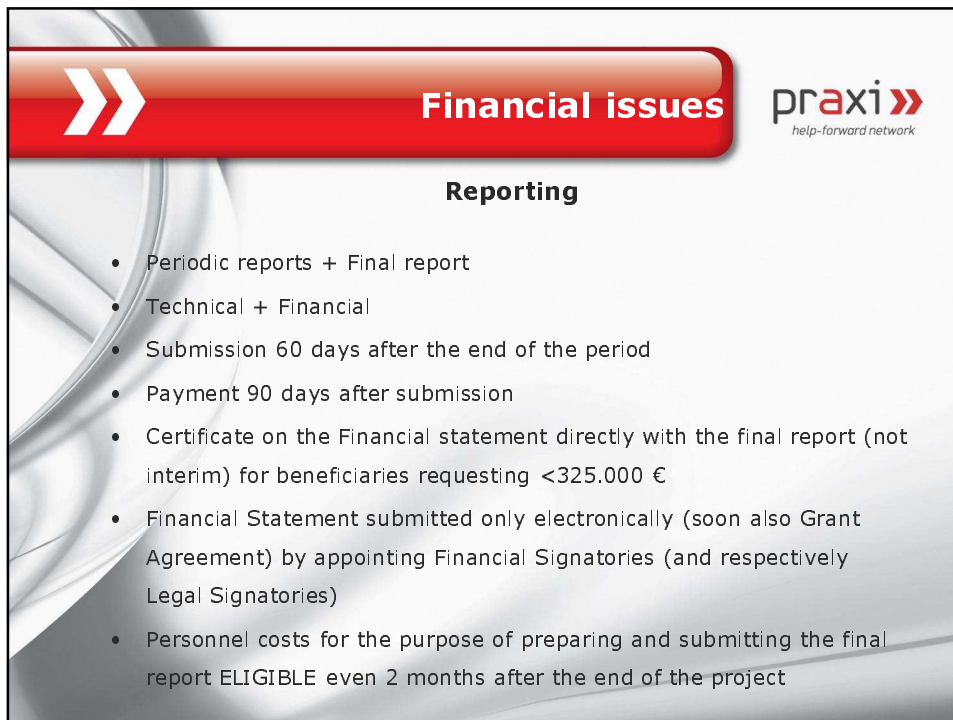
**Supporting documentation to keep (2):**


For **FLAT RATE** costs:

- Adequate records and other supporting documentation to prove the eligibility of the costs to which the flat-rate is applied
- No need to identify the actual eligible costs covered

For **LUMP SUM** costs:

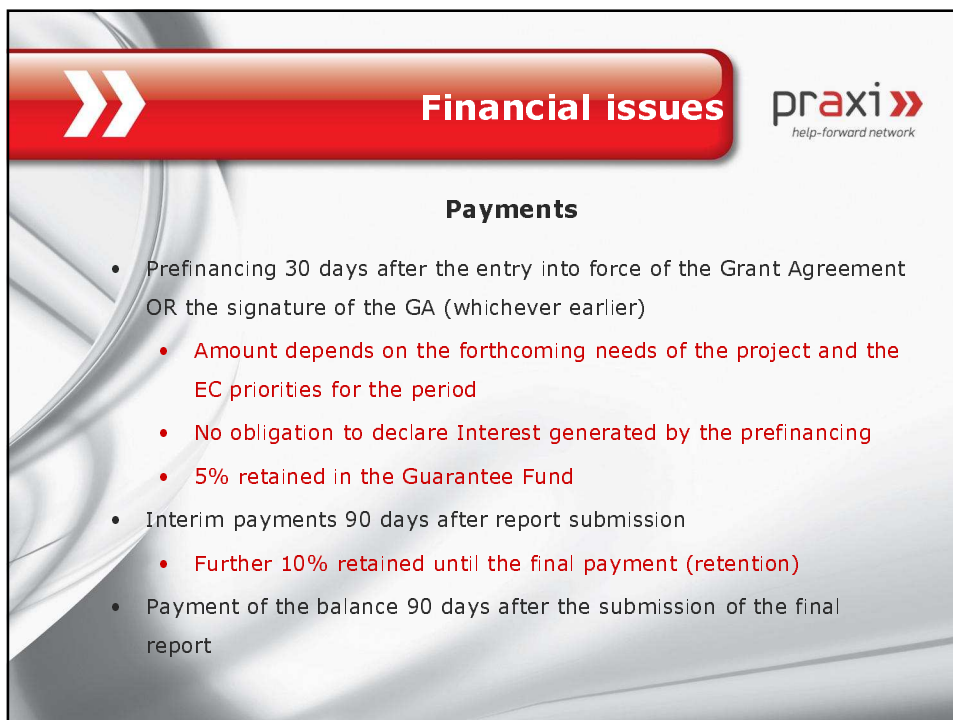
- Adequate records and other supporting documentation to prove that the corresponding tasks or part of the action as described in Annex 1 were implemented properly
- No need to identify the actual eligible costs covered




**Financial issues** 

### Reporting



- Periodic reports + Final report
- Technical + Financial
- Submission 60 days after the end of the period
- Payment 90 days after submission
- Certificate on the Financial statement directly with the final report (not interim) for beneficiaries requesting <325.000 €
- Financial Statement submitted only electronically (soon also Grant Agreement) by appointing Financial Signatories (and respectively Legal Signatories)
- Personnel costs for the purpose of preparing and submitting the final report ELIGIBLE even 2 months after the end of the project



**Financial issues** 



### Payments

- Prefinancing 30 days after the entry into force of the Grant Agreement OR the signature of the GA (whichever earlier)
  - Amount depends on the forthcoming needs of the project and the EC priorities for the period
  - No obligation to declare Interest generated by the prefinancing
  - 5% retained in the Guarantee Fund
- Interim payments 90 days after report submission
  - Further 10% retained until the final payment (retention)
- Payment of the balance 90 days after the submission of the final report



**Useful links**

- ↳ **Participant Portal**
- ↳ **How to participate**
- ↳ **Reference Documents**
  - ↳ **Model grant agreement**
    - ↳ **General Grant Agreement**
  - ↳ **H2020 Grants Manual**
    - ↳ **Annotated Model Grant Agreement**



**Thank you for your attention!**

Vangelis Argoudelis  
Legal & Financial NCP for H2020

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