Q1: What happens if a member has no allocated budget for the given year in the GAM? Is there still an obligation to contribute to the administrative costs to the JU in that year?

A1: Since the annual running cost contributions are calculated in proportion to the annual participation of the member, if there is no JU funding allocated for the given year, the member does not have to pay the running cost contribution either.

Q2: Is the CIKOP fee an eligible expenditure?

A2: Yes, the cost related to the certification of IKOP is accepted as eligible expenditure under the H2020 GAM since it is linked to the operational expenditure of the JU and certifies an amount which is going to be recognised in the JU accounts. The audit fee can be reported under the same cost category as the CFS fee, i.e. other direct costs.

(Reference document: GUIDANCE FOR THE IMPLEMENTATION OF THE IN-KIND CONTRIBUTION PROCEDURE for operational projects (IKOP), section 6)

Q3: Can a member change the IKOP declaration method from one year to another inside the same GAM?

A3: Yes, the member can change the method from A -> B, or from B -> A. From B1-> B2 or B2-> B1 the member should verify that it is due to a change in its own cost accounting methodology and should inform the JU about the change.

Q4: How can an entity report IKOP with 100% funding rate?

A4: The method B1 or B2 (when the IKOP is declared based on the members own cost accounting methodology) gives the possibility to report IKOP even if the JU funds the eligible expenditure with 100% funding rate (e.g. if the real indirect cost rate of the entity is higher than the 25% flat rate allowed by the H2020 rules). The member can declare additional activities as well.

Q5: In which category should management costs be declared? Is subcontracting OK?

A5: Cf. Article 6.1 of the GAM (General conditions for costs to be eligible)

Those costs are eligible as personnel costs as far as:
(iv) they have been incurred in connection with the action as described in Annex 1 and necessary for its implementation.

Except if those costs have been subcontracted. In such a case, those have to be declared as subcontracting costs (NB. For coordination tasks, see which tasks may be subcontracted).

Q6: Can student costs be declared as personnel costs? Which are the conditions to be confirmed if no contract has been signed?

A6: Cf. Specific cases direct personnel costs for employees (page 53 of the AMGA)

Costs for students, PhDs and other researchers under scholarship, internship or similar agreements (not employees) — Costs of students that work for the beneficiary can be accepted, if the agreement is work-oriented (not training-oriented: i.e. not aimed at helping the student to acquire professional skills).

PhD agreements will be considered work-oriented. However, time for training, if any, may NOT be charged to the action.

Fellowships/scholarships/stipends — Can be charged to the action (as personnel costs), if they fulfil the conditions set out in Articles 6.1 and 6.2.A.2, and in particular:

- the remuneration complies with the applicable national law on taxes, labour and social security
- the assignment of tasks respects the laws in force in the country of the beneficiary
- the students have the necessary qualifications to carry out the tasks allocated to them under the action.

Cost for exemptions from academic fees — The fees (or part of them) are eligible as personnel cost, if the student’s contract includes the amount of waived fees as part of his/her remuneration. The other conditions set out in Article 6 have to be fulfilled as well (e.g. the full remuneration, included the value of the waived fees, must be recorded in the university’s accounts).

Q7: Can benefits allowed to some employees be included in the eligible costs? (e.g. case of monthly bonus foreseen in the employment contract). Which are the conditions to be confirmed?

A7: Cf. Direct personnel costs: employees or equivalent (pages 51-52 of the AMGA)

Both basic remuneration and additional remuneration (non-profit legal entities only) do not only cover the payment itself (salary or bonus), but also the social security contributions (mandatory employer and employee contributions), taxes included in the remuneration (e.g. income tax) and other costs and payments included in the remuneration (e.g. a fee paid by the beneficiary for a complementary health insurance scheme for the employee).
The costs for employees (or equivalent) must comply with the following eligibility conditions (for basic remuneration):

- fulfill the general conditions for costs to be eligible (i.e. incurred during the action duration, necessary, etc.; see Article 6.1(a) and (b))

Payments of dividends to employees (profit distribution) are NOT eligible under Article 6.5(a)(i). However, bonuses based on the overall financial performance of the organisation (e.g. profitability or surplus) may be accepted, if they fulfil the conditions set out below, i.e. as part of the usual remuneration practices for national projects and thus eligible as basic remuneration.

**Examples (positive):**

*If the profit of the company at the end of the year is more that x € (or more than x %), each employee will receive a bonus of z % of his/her basic remuneration (or a fixed bonus of x € more as part of the gross salary).*

**Examples (negative):**

*If the profit of the company at the end of the year is more that X € (or more than X %), z % of that profit will be distributed to employees through extra remuneration.*

Any part of the remuneration which is based on commercial targets or fund raising targets is NOT eligible (because neither incurred in connection with the work described in Annex 1 of the action nor necessary for its implementation).

**Examples:** x € for reaching a sales target; x % on sales; x € premium per externally funded project gained; x % of the external funding gained.

- be paid in accordance with national law, the collective labour agreement and the employment contract/equivalent appointing act.

**Examples:**

1. The collective labour agreement establishes that all researchers may receive a bonus between EUR 100 and EUR 200 per month based on their seniority.
2. The national law authorises public universities to pay a bonus based on merit of the employees.
3. The contract fixes a premium of EUR 1000 for each research paper published in peer-reviewed international research journals.

- exclude arbitrary bonuses (i.e. bonuses which are not part of the beneficiary's usual remuneration practices and/or which are not based on objective conditions).

Q8: Personnel costs – Calculation of annual productive hours – Option 3 “STANDARD ANNUAL PRODUCTIVE HOURS” – Is it possible to include “Training activities”? 


A8: The beneficiary may include or exclude certain activities (e.g. general training, general meetings etc.) when calculating the standard annual productive hours (option 3), if this is in line with its usual cost accounting practices.

Q9: Personnel costs – Calculation of annual productive hours – Option 3 “STANDARD ANNUAL PRODUCTIVE HOURS” – Sickness Average

A9: The deduction of sick leave to be taken into account, in case of option 3, corresponds to the average annual sick leave in a year.

Q10: Adjustment to personnel costs (actual costs)

A10: No adjustments of financial statements are possible — Adjustments to the hourly rate are normally allowed ONLY for mistakes (e.g. incorrect accounting information; error in the calculation; etc).

Example: An internal audit on the annual accounts of the beneficiary finds later errors in the accounting information used to calculate the hourly rates.

Otherwise, costs that have already been declared can normally NOT be adjusted/changed (even if a recalculation of the hourly rate after the closure of the financial year would give another result).

Q11: Personnel costs – Time-sheets (minimum monthly report with approval of hierarchy): What are the minimum requirements? Is the record of start and end time compulsory? Is a daily percentage acceptable when the employee carries out several activities on the same day?

A11: See Q&A n°5 of the CFS Thematic session.

Personnel costs – compulsory Time recording System

Minimum requirements: recording of time on a daily, weekly or monthly basis; paper or computer based; authorization at least monthly; hours declared fall into the project period; consistency with presences/absences records.

Reminder! You cannot declare:
→ Budgeted time (what you indicated for the budget)
→ Estimated time (e.g. person 'guessing' at the end of the year)
→ Time allocation (e.g. x % of the contractual time of the person)

To answer to your questions we have attached some examples of time-sheets:
Q12: Costs for natural persons:

A12: If the costs do NOT fulfil the conditions of Article 6.2.A.2 (costs for natural persons working under a direct contract), the costs can NOT be declared in category ‘Personnel costs’.

However, they may be eligible under another budget category:

- if the contract covers tasks described in Annex 1: in category B ‘Subcontracting’ (Articles 6.2.B and 13) or
- in category D.3 ‘Other goods and services’ (Articles 6.2.D.3 and 10).

In both cases: The beneficiary must award the contracts ensuring best value for money and avoiding any conflict of interests (see Articles 10 and 13).

In other words, cost of natural persons working for the beneficiary and not having a direct contract but instead having been recruited through a service provider cannot be declared as ‘Personnel costs’ but as ‘Subcontracting costs’ (if they work in action tasks as described in Annex I) or as ‘Other Goods and services’ (under ‘Other direct costs’ category), if this is not the case. In both cases the best value for money should be demonstrated.

Q13: In case of change of Personnel costs (forms of costs) is an amendment requested?

A13: Cf. Article 4 of the GAM (Estimated budget and budget transfers).
Q14: Conditions of subcontracting with an affiliate entity?

A14: Subcontracting from a Member to its affiliated entity is not allowed:

- The affiliate shall be added as linked third party to carry out part of the work
- Exception only when duly justified and with prior approval by the CSJU
- If approved, only eligible costs incurred by the affiliate excluding any profit margin (no financial markups) may be approved

   The beneficiary shall be able to demonstrate the subcontract is priced at market conditions.

Q15: University of Nottingham – PHD remuneration (student agreement / stipend) – Conditions to be met to declare costs as personnel costs?

A15: See above Q&A n° 6.

Q16: CFS requirements

- a ‘certificate on the financial statements’ (drawn up in accordance with Annex 5) for each beneficiary [and for each linked third party], for all unaudited period(s), if it requests a total contribution of EUR 325,000 or more, as reimbursement of actual costs and unit costs calculated on the basis of its usual cost accounting practices.

Q17: Calculation of hourly rate: Specific case of engineers in France where they receive an employment contract stipulating a daily salary (annual workable days instead of annual workable hours).

A17: The only reference found in the AMGA is quantified in hours instead of days (page 66, as below).

Employment contract remunerated per hour — For employment contracts that do not establish a fixed salary and a number of hours to be worked but only an amount to be paid for each hour worked by the employee, individual annual productive hours (i.e. option 2) can only be applied if all of the following conditions are fulfilled:

- the employment contract explicitly fixes the hourly rate to be paid
- the employment contract established that the salary is the result of multiplying the hourly rate by the number of hours worked
- the total salary paid under the employment contract is identifiable and supported by auditable documents (e.g. payslips and declarations to the tax authorities)
- The employment contract is the only contract between the person and the entity (i.e. there is no other parallel contract).

If those conditions are fulfilled, the individual annual productive hours can be calculated as follows:

\[
\frac{\text{total salary paid to the employee in the financial year}}{\text{hourly rate fixed in the employment contract}}.
\]

If this reply does not fulfill your requirement, please provide us more details about your specific case.

Q18: Conditions of eligibility of Bonus? National law applicable?

A18: See above Q&A n° 7 and attached document

[PDF link]
Q19: Personnel seconded by staff from a mother/sister company

A19: Secondment of staff between beneficiaries (or linked third parties) is allowed, but it is the beneficiary/third party who employs the person who has to declare its costs (NOT the beneficiary/third party to whom the person has been seconded). The costs declared must be supported by reliable time records of the number of hours the person worked for the action. Those time records must be produced under the responsibility of the beneficiary/third party to whom the person is seconded.

As explained in the H2020 AMGA “Seconded” means the temporary transfer of personnel from a third party to the beneficiary. The seconded person is still paid and employed by the third party, but works for the beneficiary. S/he is at the disposal of the beneficiary. Example: A researcher in a public research centre is seconded to work in a university that is a beneficiary in a GA.

Best practice: Secondments should be formalized via a secondment agreement. The secondment agreement has to detail the conditions of secondment (tasks, payment (or not) from one entity to the other, duration of the secondment, location, etc.).

Q20: Credit for research paid by the government – Is this a receipt to be declared?

French scheme known as ‘Crédit d'Impôt Recherche (CIR)

The companies may financially benefit from this scheme in two different ways:

a. General case: by paying a lower income tax or corporate tax (as principle, the relief is applied in the year in which the R&D expenditures were incurred by the Company)

b. Specific case: Some companies (e.g. newly created company; company having the French status of 'Jeunes Entreprises Innovantes') may convert this tax advantage into a cash-credit; i.e. the company actually receives money from the tax authorities.

A20: Legal assessment of the CIR tax relief regarding H2020 applicable on receipts:

According to Article 5.3.3 first (b) of the Clean Sky 2 H2020 MGA, financial contributions/transfers from third parties have to be considered receipts only if they have been given specifically to be used in the action.

In the general case above, where the company benefits from the scheme via a lower corporate tax, there is not financial contribution from the third party (e.g. the tax authorities). Therefore, the decrease in the theoretical tax bill cannot qualify as a receipt.

In the specific case above, where the company benefits from the scheme via a cash-credit, there is an actual transfer of money. However, such money is not earmarked to be used in the H2020 action, which may have even been completed at the time of the tax credit. Therefore, those transfers, even if linked to
the costs of the H2020 action, may be used by the company at its own discretion. Consequently, the tax credit cannot be considered either as a receipt of the action.

In addition, in accordance with the French legislation the beneficiary must remove from the base for the calculation of the CIR any public grant received for the projects generating that CIR. This shall significantly reduce, or even remove, the tax advantage that could be generated by the CIR to the beneficiary for research expenditure related to Horizon 2020 actions.
CFS – Thematic session

Q1: How should we calculate if we reached the threshold or not?

A1: According to the H2020 rules, the CFS is requested at the end of the project IF the beneficiary / linked third party requests a total JU contribution of EUR 325.000 (or more) as reimbursement of actual costs and unit costs calculated according to its usual accounting practices (average personnel costs and costs for internally invoiced goods and services) => This means that costs based on lump sums, flat-rates (e.g. indirect costs) or unit costs (other than those for personnel costs and costs for internally invoiced goods and services calculated according to the beneficiary’s usual cost accounting practices) are NOT counted for the EUR 325.000 threshold (and do not need to be covered by the certificate).

Example:
A is a beneficiary in an action which declared the following total eligible costs for the action:
- personnel costs according to usual accounting practices = EUR 250.000
- subcontracting costs = EUR 40.000
- depreciation costs of equipment used to carry out the action = EUR 60.000
- indirect costs (25 % flat rate) = EUR 77.500
- total eligible costs claimed by A = EUR 427.500

The reimbursement rate is 100%.

As the amount of eligible actual costs and personnel costs according to usual accounting practices incurred by A (and hence the requested financial contribution) is higher than EUR 325 000, A must submit a CFS for the following costs:

<table>
<thead>
<tr>
<th>Type of cost</th>
<th>Direct personnel costs</th>
<th>Subcontracting costs</th>
<th>Other direct costs</th>
<th>Indirect costs</th>
<th>Total costs covered by the CFS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs covered by the CFS</td>
<td>250.000</td>
<td>40.000</td>
<td>60.000</td>
<td>0</td>
<td>350.000</td>
</tr>
</tbody>
</table>

If a certificate is required, all costs declared as actual costs or unit costs calculated according to usual accounting practices must be covered by the certificate. Incomplete certificates will be returned for correction.

However, costs previously audited by the Commission/Agency do not have to be covered again by the certificate.

Example: A beneficiary participates in an action with three reporting periods. During the second reporting period the Commission’s auditors carry out an audit of the costs incurred by the beneficiary in the first reporting period. At the end of the action, the beneficiary requests a total contribution of EUR 425 000 and has to submit a CFS with the final reports. In this case, the CFS may exclude the costs of the first reporting period (which were already covered by the Commission audit).

Linked third parties must submit a certificate if it reaches (on its own, without its beneficiary) the EUR 325 000 threshold.
Certificates submitted before the EUR 325 000 threshold is reached will be rejected by the JU.

Q2: In the Independent report, what is the difference between the “total actual costs declared” and the “total of actual costs and unit costs calculated in accordance with the beneficiary’s usual cost accounting practices”?

A2: The “total actual costs declared” is the total costs declared in your Form C and the “total of actual costs and unit costs...” is the total costs excluding the indirect costs and the unit costs for SME owner / Natural person not receiving salary. This amount allows you/us to calculate if the EUR 325.000 threshold is reached.

Q3: We joined the GAM as CP on 15th June 2015 (so not from the starting date of the project). Which should be the period covered by the CFS?

A3: The CFS should cover all your costs from the date you joined the GAM (your start date). The date of the reporting period should therefore be from 15 June 2015 to 31 December 2017 and should also correspond to the reporting periods mentioned in your Form C.

Q4: You mentioned that for all costs claimed, we should provide the Auditor with proof of payments (bank transfer). Does the rule also apply for payment of salaries?

A4: Yes, you should also provide the Auditor with proof of payment of salaries / the payroll records to confirm the personnel costs.

Q5: For the time-sheet, should we use the template proposed in the AMGA?

A5: No, you can use your own template but you should be able to show the actual hours worked, with reliable time records (i.e. time-sheets) either on paper or in a computer-based time recording system. 

!!!! Time records must be dated and signed at least monthly by the person working for the action and his/her supervisor.

If the time recording system is computer-based, the signatures may be electronic (i.e. linking the electronic identity data (e.g. a password and user name) to the electronic validation data, with a documented and secure process for managing user rights and an auditable log of all electronic transactions).

Time records should include, as a minimum:

- the title and number of the action, as specified in the GA
- the beneficiary’s full name, as specified in the GA
- the full name, date and signature of the person working for the action
- the number of hours worked for the action in the period covered by the time record
- the supervisor’s full name and signature
• a reference to the action tasks or work packages of Annex 1, to which the person has contributed by the reported working hours.

Information included in time-sheets must match records of annual leave, sick leave, other leaves and work-related travel. (See examples provided in above Q&A n°11).

Q6: For purchase of some specific materials, due to our technical specificities, we can use only a single supplier without having a “best value for money” analysis. What should we show to the Auditor?

A6: In such a particular case, it is highly advised to foresee/plan it in the Annex 1 (which material, amount and the name of provider if known) in which you must detail the reason of selection of this single provider => you show the Annex 1 to the Auditor.

If not foreseen and described in the Annex 1, you should contact the PO as soon as you know that you will have to purchase these materials without going through a tendering procedure. If the PO gives you a prior agreement (via Amendment/RfC or via e-mail), then you may show it to the Auditor.

In any case, you should provide the Auditor with all your relevant internal rules (procedures/policies, procurement procedures...).

Q7: Is the CFS cost an eligible cost?

A7: Yes, you may declare the CFS costs under “Other direct costs” (other goods and services).

Q8: Should we submit a CFS per reporting period or a single one for the whole project?

A8: Beneficiaries / linked third parties may submit either one certificate per reporting period or a single CFS for the whole action.

The certificate(s) may be submitted ONLY with the final financial report. Certificates submitted at any other moment will NOT be accepted (and costs incurred for them will be considered ineligible, because not necessary).

Q9: Can we ask our internal Auditor to issue this CFS?

A9: No, the certificate must be issued by an external auditor, using the template provided in Annex 5 of the GA. Only qualified auditors may issue a certificate.

However, there are some exceptions/specific cases:

• Public bodies — For public bodies, the certificate may be issued by an independent public officer with formal competence to audit the beneficiary/linked third party (instead of by an external auditor).
• **International organisations** — For international organisations, it can be an internal or external auditor that is appointed in accordance with the internal financial regulations and procedures of the organisation.

• **Beneficiaries/linked third parties from a third country** — Beneficiaries/linked third parties established in a non-EU country must provide a certificate that complies with national regulations in the field. Auditors qualified in the EU may provide certificates for beneficiaries established in non-EU countries, if they are familiar with the relevant national regulations (national accounting rules) and comply with them when preparing the certification.

Q10: Should we also sign all the 3 documents of the CFS?

A10: No, only the Terms of Reference should be signed by both parties (Auditor and Beneficiary). The Independent report and the Table of Procedures are to be signed by the Auditor only.

Q11: Which exchange rated should be used for Beneficiaries with accounts established in a currency other than euros?

A11: Beneficiaries (and linked third parties) must always use euros to report costs in their financial statements.

Beneficiaries [and linked third parties] with accounting established in a currency other than the euro must convert the costs recorded in their accounts into euro by one of the following:

- daily euro exchange rate is published in the C series of the Official Journal of the European Union for the currency in question: using the average of the daily exchange rates published over the corresponding reporting period.

To calculate this rate, the beneficiaries may use the editable charts on the ECB website (https://www.ecb.int/stats/exchange/eurofxref/html/index.en.html).

How to calculate the rate on the ECB website:

- Step 1 — Go to the ECB website.
- Step 2 — Click on the chart icon [ ] for the currency.
- Step 3 — Choose the ‘HTML5 version’ which appears under the name of the currency in the top-left corner.
- Step 4 — Insert the starting date of the reporting period in the field ‘from’ and the end date of the reporting period in the field ‘to’. The average for the period will appear above the chart.

**Example:** A Romanian university with accounting in New Romanian Leu (RON) is the beneficiary of a GA with one reporting period, from 24.1.2013 to 23.1.2014. The costs incurred in RON during this period are RON 500 000. The university will convert its costs into euros at the average...
rate of RON 4.4274 for EUR 1 (established following the steps mentioned above). The university will report costs of EUR 112,933, 10 (RON 500,000 / RON 4.4274 * EUR 1).


**Example:** A Moldovan university with accounting in Moldovan Lei (MDL) is the beneficiary of a GA with one reporting period, from 24.01.2013 to 23.01.2014. The costs incurred in MDL during this period are MDL 500,000. The university will calculate the average of the 13 monthly exchange rates (January 2013 until January 2014) published on the Commission’s website. This average rate is MDL 16.7531 for EUR 1. The university will report costs of EUR 29,845, 22 (MDL 500,000 / MDL 16.7531 * EUR 1).

Beneficiaries [and linked third parties] with accounting established in euro must convert costs incurred in another currency into euro according to their usual accounting practices.

**Q12: Are temporary worker agencies costs eligible under the category of personnel costs?**

**A12:** Costs for staff provided by a temporary work agency to a beneficiary are not eligible as personnel costs.

If an action task described in Annex 1 GA and allocated to the beneficiary in Annex 1 is carried out by the beneficiary with personnel provided by a temporary work agency, the contract with the temporary work agency should qualify as a purchase of services, subject to the conditions set out in Article 10 MGA.

If the work agency carries out directly some tasks of the action, the costs can be considered as subcontracting if the temporary work agency was directly in charge of performing the action task as described in Annex 1 GA.