Webinar on Other Direct Costs in Horizon 2020

Welcome!

We will start the webinar 12:00 CET.

The presentation slides and recording will be published on http://www.ncpacademy.eu/ after the webinar.
Other Direct Costs in Horizon 2020

Webinar
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Who are we?

• NCP since 2015 – Legal/ Finance and MSCA
• Has worked with FPs since 2010
• Loves giving participants subtle hints on what procedures could be a bit too creative with regards to EU

• NCP from 2007 to 2017 – mostly Legal/ Finance
• Since October 2017: own company as certified facilitator and trainer
• Enjoys discussing EU rules and reporting requirements.
What does this picture have to do with ”other direct costs”?
What are we going to talk about?

• Principles of eligibility
• Travel costs and subsistence allowances
• Equipment costs
• Other goods and services (ex subcontracting)
• Internally invoiced goods and services
• Summary of main points
• Good advice
Winning a H2020 grant is almost like winning the lottery. But not when it comes to spending the money...
Principles of eligibility

Costs must be actually incurred by the beneficiary

+ The costs must be based on real costs.

÷ Not estimated or budgeted costs.

÷ Not costs borne by another entity (e.g. affiliated company).
Principles of eligibility

Costs must be incurred during the project period

+ Costs invoiced or paid later than the end date are eligible only if the debt existed already during the action duration.
+ Costs of services or equipment may be invoiced and paid after the end date of the action if used during the action duration.
+ Exception: costs related to preparing the final report (CFS).
+ Travel costs for the kick-off meeting.
Principles of eligibility

Costs must be indicated in the estimated budget of the action

+ But budget transfers are possible if your clients spend more or less money than expected.
Principles of eligibility

Costs must be incurred in connection with the action as described in Annex 1.

+ This is particular important to remember in relation to travels, conferences and other activities. They might be relevant for the action – but are they necessary for its implementation?
Principles of eligibility

Costs must be identifiable and verifiable and recorded in the accounts of the beneficiaries.

+ Conditions for the eligibility of depreciation costs.

Costs must be in compliance with applicable national laws.

+ Check the rules of depreciation and public procurement.
Principles of eligibility

And finally, costs must be:
- reasonable
- justified
- and in compliance with the principles of sound financial management, in particular regarding economy and efficiency

 divisible

Your clients may not upgrade their travel policy or their purchasing rules because of the H2020 grant.
Eligibility of value-added tax under H2020

Value added tax in Horizon 2020

**Critical question:** What does national VAT legislation say for the respective legal entity?

- **Is VAT deductible** under national law: not an eligible cost
- **VAT not deductible** according to national law: eligible cost
- **VAT that cannot be identified:** eligible cost
- **VAT in EU is considered to be identifiable:**
  
Travel costs and related subsistence allowances

• related to the personnel of the beneficiaries, and
• external experts that participate in the action on a ad hoc basis (attending specific meetings), if that is foreseen in Annex I!!
• no distinction between travelling inside our outside of Europe
• must be necessary for the action (documentation!)
• limited to the needs of the action
Travel costs and related subsistence allowances

• including related duties, taxes etc., if that is part of the usual practices
• excluding deductible VAT
• if beneficiary reimburses costs as lump sum/ per diem: also eligible
Principles of eligibility of costs
Remember!

• Flying on business class must be usual practice to be accepted. This concerns both coordinators and partners!

• Costs for participating in conferences are, in principle, allowed. But make sure that the participation has to be related to the project, e.g. presenting the project, promoting results etc.

• VAT can only be claimed to the project if the VAT cannot be reimbursed elsewhere.
Equipment costs

Two options exist if the equipment is owned by the beneficiary

• Depreciation costs (most common)

• Full purchase costs (only if option applies, explicitly mentioned in call)
Depreciation: conditions

• Equipment must be written off according to your usual accounting practices and international accounting standards.

• The depreciable amount (purchase price) must be allocated on a systematic basis over its useful life.

• Depreciated costs cannot exceed purchase price.

• Only the portion used on the action may be charged and the amount of use must be auditable (logbook).
Special case: Prototypes/pilot plants

- Full construction costs may exceptionally be eligible
  - If part of the action tasks (described in Annex 1)
  - If foreseen in the budget (Annex 2)
  - If allowed according to national accounting rules
Full purchase cost: conditions

• Only if allowed in the work programme/call/topic text, typically in Innovation Actions (e.g. Transport, Energy, LEIT).

• Must be recorded as assets in balance sheet.

• NCP advice: ask your clients if the construction of the prototype will be carried out by themselves or third parties (→ subcontracting).
Equipment: renting or leasing

• If the equipment is not owned by your entity, costs may still be eligible if the equipment is rented or leased.

• For finance leasing (with the option to buy): costs may not be higher than depreciation costs. Must be recorded as assets.

• For renting or operational leasing: rental or lease costs eligible. Must follow usual accounting practice.
Other goods and services

Do you have examples of what could count as "purchase of other goods and services"?
Other goods and services

• Costs that were purchased for the action (or contributed in-kind against payment)

• Examples: consumables and supplies, dissemination (open access), IPR access rights protection of results, CFS, translations and publications, plan for the exploitation and dissemination of results, supplies in stock, staff provided by a temporary work agency, catering for a meeting, booking a room.

• Golden rule: it must not be described as an action task in Annex I
Purchase of goods and services vs subcontracting

We will go into depth with it here: http://www.ncpacademy.eu/event/webinar-on-third-parties-in-horizon/
Documentation requirements

• Documentation of all costs needs to be available.

• "Best value for money" needs to be documented:
  • How did the beneficiary chose the venue/ supplier/ consultant? What criteria did they use?
  • Remember not to charge deductible VAT.
Remember

• Purchases do not cover the implementation of the action, but are necessary to implement action tasks by beneficiaries.

• They do not have to be indicated in Annex 1

• So: as beneficiary, go back to Annex 1 to see whether it is specifically mentioned as action task or not.

• If in doubt, ask the European Commission
Internally invoiced costs

• Costs for goods and services which the beneficiary itself produced or provided for the action, e.g.
  • self-produced consumables (e.g. electronic wafers, chemicals)
  • use of specific research devices or research facilities (e.g. clean room, wind tunnel, supercomputer facilities, electronic microscope)
  • specialised premises for hosting the research specimens used for the action (e.g. animal house, greenhouse, aquarium)
  • standardised testing or research processes (e.g. genomic test, mass spectrometry analysis)
  • hosting services for visiting researchers participating in the action (e.g. housing, canteen).

• Not supporting services such as cleaning, accountancy, adm. support
Internally invoiced costs: conditions

• Must be declared as unit costs.
• Must be applied in a consistent manner according to usual accounting practices.

• Amount per unit must be calculated using actual costs.
• Must not include ineligible or indirect costs.
Internally invoiced costs: example

Electronic microscope

• Based on a unit cost per hour of use.

• The methodology to calculate the unit cost includes costs of capital (e.g. interest charged by the bank for a loan used to buy the microscope).

• Those costs are ineligible under the Grant Agreement (Article 6.5) and must therefore be removed. The unit cost must be recalculated without them.
So what can be claimed and what cannot?

Eligible
- Staff working for the microscope (technicians, engineers etc.)
- Depreciation costs
- Electricity if it can be measured.
- Insurance
- Maintenance
- Calibration test

Ineligible
- Central service (HR, accounting)
- Shared infrastructure (heating)
- Cleaning services
- Depreciation of shared buildings
- Bank interest etc.
What have we talked about?

• Principles of eligibility
• Travel costs and subsistence allowances
• Equipment costs
• Other goods and services (ex subcontracting)
• Internally invoiced goods and services
• And now some good advice
When you think back at what we have touched upon – which piece of advice on other direct costs do give your next client?
Good advice for your clients by us

• Follow usual accounting practices
• Keep documentation for costs, selections and policies
• Document best value for money
• Use common sense
• Make sure that the persons involved in the action know the basic rules both in proposal and implementation phase
• Read Annex I in order to determine what is considered subcontracting and what is considered purchase of services
Thanks for your participation

If you have any questions, please use the chat feature in the lower left corner of your screen.
Q&A session

The presentation slides and recording will be provided on http://www.ncpacademy.eu in due time.
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