

RULES ON ELIGIBILITY OF COSTS

Please note that it is the related Call for proposals and guide for applicants which stipulates which headings of eligible direct costs are eligible within the Call.

Please note that it is the related Call for proposals and guide for applicants which stipulates whether the applicant has to submit proposal alone, or whether he can do so in a consortium with others.

1. General principles

Eligible costs are an essential instrument for guaranteeing compliance with the principle of sound financial management and ensuring that an EFSA grant serves to reimburse the real costs. Eligible costs are the cost base from which the maximum EFSA grant is determined and expressed as a maximum amount and as a percentage of such eligible costs.

In accordance with the Financial Regulation, eligible costs of the project receiving EFSA grant must be shown in detail in the Estimated budget. These costs must satisfy the eligibility criteria laid down by EFSA. It must be stressed that subject to these criteria, it is always up to EFSA to take the final decision on the nature and amount of the costs to be considered eligible, either when analysing proposals for the establishment of the Estimated budget to be annexed to the Grant agreement (before the project actually starts) or when examining final statements of costs actually incurred for the purpose of determining the final amount of the EFSA grant (after the project has been completed).

The costs eligible for an EFSA grant are those that are:

- directly linked to the subject of the Grant agreement and are included in the Estimated budget;
- necessary for the implementation of the project;
- reasonable and justified, and provided for in the Grant agreement in the overall estimated budget and consistent with the principles of sound financial management, in particular regarding economy and efficiency;
- generated during the implementation of the project and following the signature of the Grant agreement with the exception of costs relating to final reports and audit certificates;
- actually incurred by the beneficiary¹ recorded in its accounts in accordance with the applicable accounting principles, and declared in accordance with the requirements of the applicable tax and social legislation (in case of consortium² this equally relates to the beneficiary-coordinator and to other beneficiaries forming consortium);
- identifiable and verifiable and proven by relevant original supporting evidence; the beneficiary's internal accounting and auditing procedures must permit direct reconciliation of the costs and income declared in respect to the project with the corresponding accounting records, statements and supporting documents (in case of consortium this equally relates to the beneficiary-coordinator and to other beneficiaries forming consortium);

The dates which determine the eligibility of costs are the dates when the costs were generated, and not when the accounting documents were drawn up or the payment was made.

It is important to emphasise that only the eligible costs can be taken into account as a basis for calculating the EFSA grant. The attention of the applicant is drawn to the fact that the eligible costs as presented in the Estimated budget must be as realistic as possible and cannot take the form of lump

¹ In case there is no consortium there is only a single applicant. Having signed the Grant agreement with EFSA the successful applicant becomes the beneficiary. In case there is a consortium then there are an applicant and his partners. Having signed the Grant agreement with EFSA they become the coordinator-beneficiary and other beneficiaries respectively.

² Please note that in some cases the Call for proposals and guide for applicants specifies that the eligible organisation can apply only alone. Please refer to the Call for proposals and guide for applicants to see if this is the case for this particular Call.

sums (except for daily subsistence allowance and eligible indirect costs as explained below). Any costs contained in the Estimated budget must be justified and supported by a detailed calculation.

The applicant must ensure that:

- all costs presented in the Estimated budget are necessary for the performance of the project;
- he does not derive a profit from the project supported by the EFSA grant (in case of consortium this no-profit rule equally relates to the beneficiary-coordinator and to other beneficiaries forming consortium)
- each item of costs is only included under one heading of the Estimated budget.

Decision to award an EFSA grant to a project is always subject to the condition that the checking process which precedes the signing of the Grant agreement does not reveal any problems requiring changes to the Estimated budget. These checks may give rise to requests for clarification and might even lead to a reduction of the EFSA grant based on the new information received from applicant.

Please note that at the end of the project, all costs (except for items based on lump sums as daily subsistence allowance and eligible indirect costs) must be justified by supporting documents, e.g. received invoices or other accounting supporting documents of an equivalent value. It is worth underlining that **EFSA reserves the right to audit (itself or by an external audit body contracted by EFSA) all actual costs and incomes (sources of financing, income established – both amounts already collected and not yet collected) of the project.** E.g., EFSA reserves the right to ask any supporting document in order to verify that the costs declared as eligible were actually incurred and paid. **The European Court of Auditors and the European Anti-Fraud Office (OLAF) shall have the same audit inspection rights as EFSA. These audits may take place also at any time during or after the implementation of the project.** For the purposes of these audits the beneficiary must continue keeping all the supporting documents of costs and incomes of the project for the period of 5 years from the date when the balance of the EFSA grant was paid (in case of consortium this equally relates to the beneficiary-coordinator as well as to other beneficiaries forming consortium).



!!!ATTENTION!!!

Please note that the staff costs forming part of heading A1 of the estimated budget must be documented by the 12 last available salary slips of the staff members proposed to work within the project already at the evaluation stage of the proposals.

2. Eligible Direct Costs

The eligible direct costs for the project are those costs which, with due regard for the conditions of eligibility set out above, are identifiable as specific costs directly linked to implementation of the project and which can therefore be booked to it direct and in full. The following text describes headings of the Estimated budget dedicated to eligible direct costs.

2.1 Staff working for the beneficiary

The costs of salaried staff employed by beneficiary and who are assigned to the project corresponding to their actual salaries plus social security charges and other statutory costs forming part of their remunerations are eligible provided they do not exceed the average rates corresponding to the beneficiary's usual remuneration policy.

The amounts paid to persons who are not bound by an employment contract (such as consultants) can not enter into this heading. Instead, the heading "subcontractors" should be used.

Remuneration costs must be expressed per year. The amount per day will be calculated by dividing this yearly salary by 220 working days. Thus, staff working full-time will be considered for budget calculation purposes to be working 220 days per year and half-time staff 110 days per year.

The costs of a seconded person to be recruited to work on the project and to be paid monthly salary based on the temporary contract of employment (where this person becomes temporary staff of the beneficiary) should be included in the heading “Staff working for the beneficiary” of the Estimated budget.

The beneficiary must be able to justify the staff costs at the end of the project through supporting documents. At EFSA’s request, the beneficiary shall submit the timesheets of which a template is annexed to the grant agreement and which are to be used obligatorily, salary slips and all other supporting documents required.

In case of consortium, these above rules apply equally to both beneficiary–coordinator and other beneficiaries forming the consortium.

2.2 Daily subsistence allowances and travel costs

Daily subsistence allowances and travel costs of staff and other persons taking part in the project are eligible provided that they are in line with the beneficiary’s usual practices on travel costs and do not exceed the scales approved annually by the European Commission. This means that the internal rules of the beneficiary shall apply first. If such internal rules do not exist at the beneficiary organisation, the scales of the European Commission shall apply.

Daily subsistence allowances

Flat-rate daily subsistence allowance covers all subsistence expenses during missions, including accommodation, meals, local transport (taxi and/or public transport) and telecommunications costs (fax, internet). They apply for each day of a mission at a minimum distance of 100 km from the normal place of work in the context of the implementation of the project forming the subject of the Grant agreement. The daily subsistence allowance varies depending on the country in which the mission is carried out. The applicable daily subsistence allowances to be used for calculations when preparing Estimated budget are shown in the table below. Please note that if there is no overnight stay, no hotel bill can be presented or the cost of accommodation is reimbursed by another EU institution, another administration or third party, the daily subsistence allowance shall be reduced by 70% for the day concerned.

Daily subsistence allowances are to be calculated according to the length of the mission:

- less than twenty-four hours: the daily allowance;
- more than twenty-four hours but not more than thirty-six hours: one and a half times the daily allowance;
- more than thirty-six hours but not more than forty-eight hours: twice the daily allowance;
- and so on.

The beneficiary should declare all meals or accommodation provided by or reimbursed by any of the EU Institutions or by another administration or third party. The daily allowance is to be reduced by 10% for each meal provided by others.

The length of a mission is calculated from the time of departure of the means of transport used to the time of this arrival on return to the place of employment.

Travel must be organised so that the mission lasts as short a time as possible given the means of transport used and is as cost-effective as possible.

Missions in other countries not mentioned in the below table shall be submitted to the prior agreement by EFSA. This agreement shall be related to the objectives of the mission, its costs and its motivation. For those countries not mentioned in the below table, a lump sum corresponding to the addition of the daily allowance and the maximum hotel price as forecast in the Commission Decision C(2004) 13134 shall apply.

When the internal regulations of the beneficiary organising the journey impose a lower limit than those amounts detailed in the below table, these must be used as a basis of calculation when preparing Estimated budget.

| DESTINATIONS | Daily subsistence allowance in € covering accommodation, meals, local transport (taxi and/or public transport) and telecommunications costs (fax, internet). |
|---------------------|--|
| Austria | 225 |
| Belgium | 232 |
| Bulgaria | 227 |
| Cyprus | 238 |
| Czech Republic | 230 |
| Denmark | 270 |
| Estonia | 181 |
| Finland | 244 |
| France | 245 |
| Germany | 208 |
| Greece | 222 |
| Hungary | 222 |
| Ireland | 254 |
| Italy | 230 |
| Lettonia | 211 |
| Lithuania | 183 |
| Luxemburg | 237 |
| Malta | 205 |
| Netherland | 263 |
| Poland | 217 |
| Portugal | 204 |
| Romania | 222 |
| Slovakia | 205 |
| Slovenia | 180 |
| Spain | 212 |
| Sweden | 257 |
| United Kingdom | 276 |

Travel costs

Only travel/mission directly related to the project and concerning precise activities, which must be clearly identifiable, shall be eligible. No lump sums will be applied to travel costs. These costs are obviously only estimates when preparing the Estimated budget, however they must be estimated as precisely as possible.

The following rules will be applied to travel costs:

Travel costs for missions/journeys in the context of the Grant agreement are eligible under the following conditions:

- travel by the most direct and most economic route;
- distance of at least 100 km between the place of the meeting and the normal place of work;

- travel by rail: first class;
- travel by air: non flexible economy class, unless a cheaper fare can be used (e.g. Apex);
- air travel is allowed only for return journeys of more than 800 km (this is the distance in km between departure and arrival place);
- travel by car or taxi: reimbursed on the basis of one equivalent first class rail fare (regardless of how many people are travelling in the car). The beneficiary is required to keep documents justifying this cost (document of travel agency, railway reservation office,...).

It is worth stressing that when organising missions in the context of the project the most economical fares must be sought. Several travel agencies should be contacted in order to obtain the best possible prices.

Cost for luggage surcharge will be regarded as ineligible.

Please note also that when preparing the final summary statement of costs and incomes of the project the actual travel costs will have to be taken into account and not those foreseen in the Estimated budget. In any case it is important to repeat that EFSA reserves the right to verify all the supporting documents for travel/missions organised, e.g. boarding passes, travel agency invoices etc.

When preparing estimates for this heading of the Estimated budget, you shall bear in mind several calculation factors as, e.g., the number of missions to be organised during the implementation of the project, the number of participants required to take part at meetings, the length of the missions, the need for overnight stays or the distance between destination and departing point.

Finally, please note that daily subsistence allowances and travel costs of EFSA representatives shall in no case enter into any heading of the Estimated budget. This is because when there is a meeting foreseen within the project between the beneficiary and EFSA representatives outside Parma (e.g. at the premises of the beneficiary) the daily subsistence allowances and travel costs of EFSA representatives will be borne in full by EFSA itself.

In case of consortium, these above rules apply equally to both beneficiary–coordinator and other beneficiaries forming the consortium.

2.3 Equipment (new or second-hand)

The costs relating to the acquisition of equipment shall be eligible if such acquisition is strictly necessary for the performance of the project. The costs of such equipment must be written off linearly in accordance with the tax and accounting rules applicable to the beneficiary and generally accepted for items of the same kind. However, the minimum depreciation periods accepted by EFSA for the purpose of establishing the Estimated budget are as follows: computer equipment (hardware) is written off over a period of 3 years, office furniture and equipment over 5 years and computer software is covered in full.

It is important to emphasise that only the portion of the equipment's depreciation corresponding to the duration of the project and the rate of actual use for the purposes of the project can be considered by EFSA as eligible, except where a different arrangement is justified by the nature or context of the equipment's use.

Because of the principle that grants may not be awarded retrospectively equipment items purchased prior to the project start (signature of the Grant agreement by EFSA), even if they are used for the purposes of the project, cannot be considered eligible direct costs of the project. Please note that the use of existing equipment and the beneficiary's installations is partly covered via the eligible indirect costs.

Finally, please note that the property of purchased equipment after the completion of the project continues to rest with beneficiary.

In case of consortium, these above rules apply equally to both beneficiary–coordinator and other beneficiaries forming the consortium.

2.4 Consumables and supplies

Costs of consumables and supplies, provided that they are identifiable and assigned in full to the project are eligible.

Unlike the equipment, these are “consumables”, i.e. items that are not entered as fixed assets in the accounts (or inventory) of the beneficiary and are not written off. The terms “identifiable” and “assigned in full to the project” are of utmost importance in order to avoid double cover by way of indirect costs. The nature of the project and the fact that the costs are specific to the project are key factors justifying direct cover of these costs.

In case of consortium, these above rules apply equally to both beneficiary–coordinator and other beneficiaries forming the consortium.

2.5 Workshops, seminars, conferences

This item of eligible costs must cover all costs linked to organisation of a workshop, seminar or conference. This item of the Estimated budget must in particular cover:

1. hire of premises;
2. hire of equipment;
3. travel and subsistence costs for participants and speakers (conditions regarding travel and subsistence costs – point 2.2. of these Rules must be adhered to);
4. interpretation (interpreters and hiring of booths); max 400 € per speaker per day;
5. external speakers` fees; max 500 € per speaker per day;
6. translation costs in connection with workshop/seminar/conference;
7. other costs (e.g. reproduction costs for documentation to be distributed to participants, various supplies, reception staff).

2.6 Translations

These are the costs linked to the translations of documents if this is required in the Call for proposals. A typical case where these costs are eligible is, e.g., when one of the eligible activities within the project is to collect various data/information from various countries. To be able to efficiently work in the project with the collected data these must be translated into one language.

Translation costs must include details of the number of languages, the number of pages, the rate applied per page. In addition, applicants should explain the nature of the documents to be translated in the detailed budget explanation. Translation costs may not be higher than the market prices in the country where the translation is done.

2.7 Subcontracting

The rules for subcontracting are already laid down in the Call for proposals and guideline for applicants. In addition to these rules you are reminded that when preparing the Estimated budget it is necessary to justify the awarding of contracts. It means that flat-rate amounts are not permitted under the heading “Subcontracting” of the Estimated budget. All subcontracting shall be foreseen at the time of preparation of the Estimated budget as precisely as possible and the corresponding estimated costs shall be shown in the Estimated budget.

Also, you are reminded that the costs of a seconded person to be recruited to work on the project and to be paid on the basis of the invoice (where this person is actually a service provider) should be also included in the heading “Subcontracting” of the Estimated budget. The condition is that these persons hold nationality of one of the eligible countries, or alternatively be permanently employed by an eligible organisation.

Finally, when estimating the costs of subcontracting, bear in mind all the costs which will have to be paid to the subcontractor (e.g. travel costs). All the costs directly linked to subcontracting must be declared under the heading “Subcontracting” of the Estimated budget, whatever the nature of these costs.

In case of consortium, these above rules apply equally to both beneficiary–coordinator and other beneficiaries forming the consortium.

2.8 Miscellaneous costs directly linked to the project and arising directly from requirements imposed by the Grant agreement

This heading of the Estimated budget may include any other additional costs not falling within any of the other categories mentioned above and it is supposed to cover the costs arising directly from the requirements of the Grant agreement.

These costs may be allowed, provided they are:

- necessary for the performance of the project;
- clearly itemised in the Estimated budget;
- not indicated under any other heading of the Estimated budget;
- fully documented and, recorded in the beneficiary's accounts or tax documents and duly identifiable.

An example of these costs might be financial service costs, e.g. the cost of establishment and management of a dedicated bank account to be opened specifically for the project (e.g. costs of bank transactions or bank statements). However, regarding management costs of a bank account, you are reminded that any exchange losses, charges relating to establishing or maintaining lines of credit or overdraft are not eligible.

Another example might be production costs of reports to be submitted to EFSA. However, costs incurred in producing these documents are eligible for this heading of the Estimated budget only when those activities are performed by the beneficiary. If this is not the case, these costs could be considered as eligible, if fulfilling the restrictions on subcontracting, for the heading "Subcontracting" of the Estimated budget.

In case of consortium, these above rules apply equally to both beneficiary–coordinator and other beneficiaries forming the consortium.

3. Eligible Indirect Costs

The eligible indirect costs for the project are those costs which, with due regard for the conditions of eligibility described above under point 1, are not identifiable as specific costs directly linked to performance of the project which can be booked to it direct in full, but which can be identified and justified by the beneficiary using his accounting system as having been incurred in connection with the eligible direct costs for the project, e.g. rent of the premises and related costs such as electricity, water, heating, maintenance, cleaning, insurance and safety costs; miscellaneous recurring consumables such as office supplies, toner, paper, stationary; telecommunication costs such as telephone, fax, internet connection; general postage costs etc.

Please note that eligible indirect costs may not include any eligible direct costs.

Indirect costs shall be calculated on the basis of an estimate of the actual costs borne by the beneficiary for the project. The indirect costs expected to be incurred in carrying out the project may be eligible for a flat-rate funding fixed at not more than 7% of the total eligible direct costs.

Please note that indirect costs are not eligible where beneficiary already receives an operating grant from EU budget for the year 2007, 2008 or 2009.

In case of consortium, these above rules apply equally to both beneficiary–coordinator and other beneficiaries forming the consortium.

4. Ineligible Costs

The following items of costs are not eligible and should therefore not be included under any headings of the eligible costs in the Estimated budget.

- return on capital;

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- interest owed;
- doubtful debts;
- currency exchange losses;
- taxes, including VAT;
- extravagant, excessive or reckless costs;
- purchases of land or buildings;
- entertainment or representation costs;
- replacement costs of persons involved in the project;
- provisions for losses or potential future liabilities;
- provisions for liquidation, winding up of business, breaking off of a lease or legal liabilities;
- provisions for contractual or moral obligations;
- fines, financial penalties and costs of legal proceedings;
- external co-financing involving real estate;
- contributions in kind;
- costs declared by the beneficiary and already covered by another project receiving a grant from EU budget. If there should be complementarity between funds, this must be explicitly justified, clarified and proved;
- costs not entered in the accounts which are not identifiable or not verifiable;
- costs incurred before signature of the Grant agreement by the second party (EFSA signature) and after the end of project indicated in the Grant agreement.

5. Flexibility within the Approved budget

After the Estimated budget has been approved by EFSA it becomes the Approved budget and it will be attached to the Grant agreement. Due to the fact that the Estimated budget and the Approved budget are both based on estimates, from a practical point of view, it is important that the beneficiary has the opportunity to adjust, to a certain extent, the Approved budget during the course of the project implementation, if it proves necessary.

If the beneficiary wishes to replace a staff member by another of his employees (for example because of dismissal), prior approval of EFSA should be sought. No budgetary implications in direction of increase can be associated with this change.

However, to avoid significant changes in the Approved budget which might jeopardise the achievement of the project objectives, these budget adjustments are subject to certain ceilings and rules. The Approved budget may be adjusted by making transfers provided that such adjustments do not affect the basic purpose and the completion of the project and on condition that:

- the financial impact is limited to a transfer within a single budget heading or the transfer between budget headings that does not exceed 10% of the amount of the heading of estimated eligible costs for which the transfer is intended.
- it does not cause the original total amount of eligible costs to be exceeded.

Please note that the second condition must be met in all cases. If the first condition is met then the beneficiary only has to inform EFSA in writing using the form of which a template is annexed to the grant agreement. If the first condition is not met, i.e. the 10% ceiling is going to be passed, a prior approval must be sought from EFSA and an addendum to the Grant agreement will then be necessary.

This transfer procedure may not be used to amend the heading for eligible indirect costs, for amendment of which the prior approval of EFSA is necessary.