

Supplementary Cost Eligibility Guidance for HE Guarantee Grants Administered via Je-S and TFS

This document contains the cost eligibility criteria for post-award requests to use budgeted funds for **new costs which were not in the original proposal/budget**, and which have therefore not undergone EC evaluation. These eligibility conditions are derived from the EC [Annotated Model Grant Agreement](#), with a number of amendments or additions instituted in order to achieve closer alignment with the UKRI fEC Grant Standard Terms & Conditions.

All post-award requests to repurpose or vire funding for purposes not in the original proposal must fulfil **both the general and specific EC eligibility conditions**, outlined below, and will be approved on a **case-by-case basis** by Guarantee grant managers.

Please note: Certain costs which may be eligible on a Horizon Europe grant are not eligible on Horizon Europe Guarantee grants. Please see the lists of ineligible costs at the end of this document.

While ERC and MSCA grants follow different funding models, all Guarantee grants are paid out according to UKRI standard procedures, i.e. quarterly in arrears. The different eligibility conditions are retained here to allow grant managers to ensure maximal alignment with the criteria which were imposed for different grant types in the pre-award stages.

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Virement or Repurposing of Funds

During the course of a Guarantee-funded ERC grant, in certain circumstances, a beneficiary may seek:

1. to use budgeted funds *within* a cost heading for a different purpose than was indicated in the original, successfully evaluated proposal, i.e. **repurposing** (e.g. equipment, personnel);
2. to move funds from one cost heading to another in response to a contingency, i.e. **virement** (e.g. a PI reduces their FTE % from 100% to 70%, freeing up the remaining 30% of funds which were budgeted for PI salary)

Before repurposing or viring Guarantee funds for an unevaluated purpose, the beneficiary must request permission from the HEu Guarantee management team by emailing EUGrantsFunding@ukri.org.¹

To be valid, any new usage of Guarantee funding must fulfil certain cost eligibility conditions.

The cost eligibility conditions for ERC and MSCA grants are outlined below.

¹ 'New purposes' should be understood to mean any substantial addition to the project which has not already undergone EC review & evaluation as part of the original Horizon Europe application process. E.g. repurposing funds to purchase additional units of equipment (e.g. computer screens) in the original proposal would not require permission from UKRI, but repurposing funds to add more researchers to the project would require notification and permission.

EC General Eligibility Conditions

Please note: Where reference is made to 'Article xxx', these are provisions of the EC Annotated Model Grant Agreement, found [here](#).

General Eligibility Conditions for Actual Costs

In order to be eligible, costs must be:

- **actually incurred** by the beneficiary/affiliated entity, i.e.:
 - real and not estimated, budgeted or imputed and
 - definitively and genuinely borne by the host organisation / UK-based project partner(s) /
- **incurred during the grant duration**, i.e. the generating event that triggers the costs must take place during the approved project timeline.

If costs are invoiced or paid later than the end date, they are eligible only if the debt existed already during the action duration (supported by documentary evidence) and the final cost are known at the moment of the final expenditure statement.

- **connected to the action** and **necessary** for its implementation OR
- **connected to the action** and likely to represent a **significant improvement or benefit** to the project

The grant cannot be used to finance activities other than those approved by the granting authority.

- **identifiable** and **verifiable**, i.e. come directly from the beneficiary/affiliated entity's accounts, be directly reconcilable with them and supported by documentation

The records and supporting documents must show the actual costs of the work, i.e. what was actually paid and recorded in the beneficiary's profit and loss accounts.

Costs must be calculated according to the applicable accounting rules of the country in which the beneficiary is established and according to the beneficiary's usual cost accounting practices.

- in compliance with applicable **national laws** on taxes, labour and social security.

In particular, the cost must be compliant with the Subsidy Control Act 2022 and applicable State Aid regulation(s).

– **reasonable, justified** and must comply with the principles of **sound financial management**, in particular regarding economy and efficiency (i.e. be in line with good housekeeping practice when spending public money and not be excessive).

‘Economy’ means minimising the costs of resources used for an activity (input), while maximising quality; ‘efficiency’ is the relationship between outputs and the resources used to produce them.

Examples: 1. The host organisation may NOT increase the remuneration of its personnel, upgrade its travel policy or its purchasing rules because of the grant support.

2. Entertainment or hospitality expenses (including gifts, special meals and dinners) are generally not eligible.

3. Tips which are not obligatory are not eligible. By contrast, in some countries the invoice includes a certain mandatory amount as payment for the ‘service’. In this case, the amount may be considered eligible — if the other eligibility conditions are fulfilled.

Double funding risk — A cost item or element can NOT be declared more than once within the same or another budget category or activity (e.g. cost for internally invoiced goods and services cannot include cost elements already charged under equipment cost).

Specific Cases: Actual Costs

Costs to allow for the participation of disabled people (e.g. costs for sign language interpreters required for dissemination events organised under the action) — Are eligible if they fulfil the general and specific eligibility conditions. Host organisations must keep records to prove in case of an audit, check or review the actual costs incurred and that they were necessary for the implementation of the action.

Cost for security measures — Where the implementation of a project task requires additional security measures, costs can be declared under the appropriate cost category (e.g. personnel costs for security staff, equipment costs for secure rooms, etc) if in line with the general and specific eligibility conditions, in particular these costs must be **directly connected** to the action and **necessary for its implementation**. Conversely, costs for security not directly connected to the action (i.e. normal security measures of the beneficiaries with or without the EU action) are considered to be fully covered by the indirect costs.

General Eligibility Conditions for Unit Costs

In order to be eligible, unit costs or contributions must be:

- calculated by multiplying the number of actual units used to carry out the work (*e.g. number of hours worked on the action, number of tests performed, etc.*) or produced by the amount per unit
- the number of units must be **necessary** for the action
- the units must be used or produced **during the action duration** and
- the beneficiaries must be able to **show the link** between the number of units declared and the work on the action.

The records and supporting documents must show that the **number of units declared** was **actually used** for the action. The actual costs of the work are not relevant.

Specific Cases: Unit Costs

Costs declared on the basis of the usual cost accounting practices — If this option is activated in the Grant Agreement, the beneficiaries must use unit costs using their own usual cost accounting practices. In this case: neither the amount per unit, nor the calculation method will be set out in Annex 2a of the Grant Agreement

General Eligibility Conditions for Lump Sum Costs

In order to be eligible:

- the output or result triggering payment of the lump sum must have been achieved during the action duration. The records and supporting documents must show that the action tasks have been carried out as described in Annex 1. The actual costs of the work are not relevant.

Conditions for Eligible In-Kind Contributions for Free

On Horizon Europe projects, beneficiaries/affiliated entities may charge costs for in-kind contributions made available for free.

What? These cover the costs, which a third party has for resources it contributes to the action for free (i.e. made available for free for use by the project).

They must be declared under the budget category the beneficiary would use if they were their own costs (e.g. 'Personnel costs for seconded persons', 'Equipment costs', 'Costs for other goods, works and services', etc), as actual or unit cost, depending on the rules of the budget category.

Example: Depreciation costs of equipment contributed free of charge must be declared under cost category D.2 Equipment.

In addition to the general and specific **eligibility conditions** of the budget category used, they must be limited to the direct costs incurred by the third party.

Example: A person not receiving a salary and who is the (co)owner of a SME is being seconded by this SME (third party) to a beneficiary. The direct costs incurred by the SME can be declared via the SME owner unit cost (daily rate)

Specific Eligibility Conditions per Budget Category

1. Personnel Costs

This budget category covers costs for the following subcategories:

- Employees
- Natural persons working under direct contract / personnel seconded by a third party against payment

- SME owners not receiving a salary and beneficiaries who are natural persons not receiving a salary
- Volunteers
- Other personnel costs

1.1 Employees or equivalent

The costs for employees (or equivalent) must:

- fulfil the **general conditions for costs to be eligible** (i.e. incurred during the project duration, necessary, etc.) and
- be paid in accordance with **national law**, the **collective labour agreement** and the **employment contract**/equivalent appointing act.

Generally, you may include, for each person concerned, the following:

- fixed salary
- fixed complements, if they are unconditional entitlements for the person (e.g. family allowance and contributions to medical insurance schemes set out in national law, complementary pension plan contributions set out in the collective labour agreement or other binding documents such as staff regulations)
- social security contributions (mandatory employer and employee contributions)
- taxes linked to the remuneration (e.g. income tax withholding)
- other costs and payments linked to the remuneration if they are justified and registered as personnel costs in accordance with the beneficiary's usual remuneration practices (e.g. benefits in kind like company car made available for the private use, lunch vouchers, accrual for unconditional severance payments mandatory under national law or other binding documents such as collective labour agreements or other binding documents such as staff regulations).

You may NOT include:

- any part of the remuneration which has not been an actual cost for you (for example, salaries reimbursed by a social security scheme or a private insurance in case of long sick leave or maternity leave)
- payments of dividends to employees (profit distribution in the form of dividends)
- variable complements based on commercial targets or fund raising targets (because neither incurred in connection with the work of the action, nor necessary for its implementation)

1.2 Direct Contract and Seconded Persons

These budget categories cover the costs of two types of persons:

- **self-employed** natural persons (e.g. some types of in-house consultants) who work on the action for the beneficiary under conditions similar to those of an employee, but under a contract that is legally not an employment contract
- persons who are **seconded** by a third party against payment

The costs of natural persons with direct contract and seconded persons must:

- fulfil the **general conditions** for costs to be eligible (i.e. incurred/used during the action duration by the beneficiary, necessary, linked to the action, etc)

the person must be hired under either:

- a **direct contract** signed between you and the natural person (not through another legal entity; e.g. a temporary work agency) or
- a contract signed between you and a legal **entity fully owned by that natural person**, and which has no other staff than the natural person being hired or
- a **secondment agreement** with the employer of the natural person
- the person must work under **conditions similar to those of an employee**, in particular:
 - the beneficiary must **organise and supervise the work** of the person in a way similar to that of its employee
 - the person is subject to **similar presence requirements** as the employees
 - the **remuneration must be based on working time**, rather than on delivering specific outputs/products.
- the **result of the work** carried out (including patents or copyright) must in principle **belong to the beneficiary**; if (exceptionally) it belongs to the person, the beneficiary must (just like for employees) obtain the necessary rights from the person (transfer, licences or other), in order to be able to respect its obligations under the Grant Agreement
- the cost of the person **must not be significantly different from costs for employees** of the beneficiary performing similar tasks; if the beneficiary does not have employees performing similar tasks, the comparison must be done with national salary references of the country where the beneficiary is located, for the staff category to which the person belongs in the sector of activity of the beneficiary and
- the cost must correspond exclusively to the remuneration of the person and related eligible taxes.

1.3 SME Owners and Natural Person Beneficiaries

This budget category covers the costs of two types of persons:

- Persons who are directly **owners or co-owners** (regardless of their percentage of ownership) of the beneficiary, if the beneficiary is an SME and the person is not an employee of the beneficiary. It applies also to SME owners whose work in the action for the beneficiary is remunerated via any type of non-employment contract (e.g. a service contract), via profit distribution or by any remuneration method other than a salary resulting from an employment contract.
- Beneficiaries who are **natural persons**; i.e. who signed the Grant Agreement on her/his own name as individuals, not on behalf of another legal person (e.g. a company).

The costs must comply with the eligibility conditions set out in Article 6.2.A.4, in particular:

- fulfil the **general conditions** for unit costs to be eligible (i.e. units used during the action duration, necessary, linked to the action, correct calculation, etc; see Article 6.1(b)) and
- be **declared for an SME owner/natural person beneficiary**, who works on the action but does not receive a salary.

The granting authority may verify that the beneficiary fulfils the conditions for using this unit cost.

1.4 Volunteers

This budget category allows to increase the grant amount in order to recognise the contribution of volunteers in the project, i.e. when persons work for the beneficiary, on a non-compulsory basis and without being paid.

What not? The unit costs for volunteers work **do not cover any actual costs which might be incurred and paid by the beneficiary**, such as insurance, social security, travel or subsistence costs. Any such costs can be declared and reimbursed separately (if provided for in the call conditions).

The costs must comply with the eligibility conditions set out in Article 6.2.A.5, in particular:

- fulfil the general conditions for unit costs to be eligible (i.e. units used during the action duration, necessary, linked to the action, correct calculation, etc).

In addition, a double cap must be applied to limit the amounts declared for volunteers' work or the amount of the total EU or UK contribution:

- the total EU or UK contribution must be less than the total eligible costs excluding volunteer work.
- the amounts declared for volunteers work must also not exceed the maximum amount for volunteers for each beneficiary set out in Annex 2.

1.5 Other Personnel Costs

If eligible under the Grant Agreement, the beneficiaries/affiliated entities may charge 'Other personnel costs'.

1.5.1 HE Personnel Unit Cost This cost category will be inserted for all Horizon Europe types of action which are mixed actual cost grants (e.g. RIA, CSA, PCP/PPI, COFUND, ERC, EIC, EIT).

- This cost category is optional in the sense that it is granted only on request. However, once the unit cost is approved, it must be used in all HE actions (i.e. new proposals submitted after the approval date and not yet signed grants under preparation; and including to calculate personnel costs for lump sum grants in the proposal's detailed budget table).
- The approved unit cost is valid for at least two years. You may request an update to the unit cost amount, every two years after the approval date, until 31 December

2027. The updated unit cost will apply to all the beneficiary's Horizon Europe and Euratom proposals that are invited to grant preparation after the new approval date.

- You may change your mind ONCE. After the approval you may, if needed, request to revert back to actual personnel costs (i.e. charging costs under categories A1 to A4), for all future grants signed after the unit cost is withdrawn (ongoing grants would not be impacted). Please be aware that if you revert back to actual costs, you will not be able to request again the use of the personnel unit cost for the rest of the MFF 2021-2027.

For beneficiaries/affiliated entities that have selected this unit cost, they must (once approved) **charge all their personnel costs under 'HE Personnel unit cost'**.

This budget category replaces categories A1-A4 (A.1 Employees, A.2 Natural persons with direct contract, A.3 Seconded persons against payment, or A.4 SME owners and natural person beneficiaries) and covers the cost of all personnel that works on HE actions.

The costs must comply with the eligibility conditions set out in Article 6.2.A.6, in particular:

- fulfil the **general conditions** for unit costs to be eligible (i.e. units used during the action duration, necessary, linked to the action, correct calculation, etc)
- be calculated in accordance with the method set out in Annex 2a
- be declared based on the number of day-equivalents for persons working on the action and
- comply with the **specific conditions** set out in Article 6.2.A.1-A.4 (see above personnel cost categories) for the underlying types of costs. This means that costs can be declared in category A.6 only for personnel who have a working relationship with the beneficiary/affiliated entity falling under the categories A.1 Employees, A.2 Natural persons with direct contract, A.3 Seconded persons against payment, or A.4 SME owners and natural person beneficiaries. Since in HE in-kind contributions are eligible, cost category A.6 may also be used for seconded persons free-of-charge who have such a working relationship with a third party (e.g. an employee of a third party seconded free-of-charge to the beneficiary).

2. Subcontracting Costs

This budget category covers **subcontracted project tasks**, i.e. contracts for parts of the project described in the description of the action (DoA; Annex 1) that are not implemented by the beneficiary itself, but by a subcontractor.

- a. Subcontracting costs must be declared as **actual costs**.
- b. Subcontracting costs should not ordinarily exceed **10% of the UK beneficiary's project budget**. Exceptions may be made if deemed necessary for the continuation of the project.
- c. The costs must:

- fulfil the **general conditions** for costs to be eligible (i.e. incurred/used during the action duration, necessary, linked to the action, etc)
- be based either on the **best value for money** (considering the quality of the service, good or work proposed, i.e. the best price-quality ratio) or on the **lowest price**
- not be subject to **conflict of interest** and
- **comply with the applicable national law on public procurement**; these rules normally provide for special procurement procedures for the types of contracts they cover.

A **competitive selection of subcontractors** should be the default approach since it is the safest way to ensure no conflict of interest, best value for money or lowest price through direct comparisons between offers. However, subcontracting does not necessarily require competitive selection procedures to be eligible, provided that, in case of a check, review, audit or investigation, the beneficiary can prove compliance with **best value for money or lowest price AND no conflict of interest**, for instance by showing:

- data from a previous competitive tender on a similar subject that confirms the market value
- a conducted market consultation, e.g. price quotations, supplier brochures, or consultation with help of independent experts
- that no suitable offers have been submitted in response to a prior competitive selection procedure
- that a subcontractor is in a monopoly situation due to technical reasons; or exclusive (intellectual property) rights; or acquisition of a unique work of art or artistic performance; or that the task can only be performed by an international organisation which cannot participate in competitive procedures according to its statutes
- that the subcontractor is the winner of a prior competitive design contest under the action or a linked action
- a need for special security measures in accordance with the call conditions

The beneficiary must be able to demonstrate that the criteria defining quality were **clear and coherent with the purpose**.

Best practice: It is recommended to entrust the decision of awarding a contract to an **evaluation committee** rather than to a sole person. Members of the evaluation committee should be aware that they need to disclose the existence of a conflict of interest. The beneficiary should have clear rules and guidance on situations of conflict of interest. These rules should provide information on who to contact for advice or disclose the conflict to and, where necessary, the appropriate action. It is good practice that staff involved in the procurement process formally signs a declaration of no conflict of interests before performing their duties.

Specific Cases (Subcontracting)

Simplified approval procedure (new subcontracts) — If the need for a subcontract was not known at grant signature, a formal request must be made via PI letter of support to EUGrantsFunding@ukri.org, detailing the circumstances which led to the subcontracting need, confirming that all eligibility criteria are met, and demonstrating that an open, competitive evaluation/selection process has been followed. If the request is approved, documentary evidence of the new subcontractor(s), selection process, invoices/budget, etc. must be provided and saved as Attachments on Siebel.

Coordination tasks of the coordinator (distribution of funds, review of reports and other tasks listed in Article 7) — Can NOT be subcontracted (they can only be delegated, under certain circumstances, to an entity with ‘authorisation to administer’ or in the case of ‘sole beneficiaries’ within the meaning of Article 187(2) of the Financial Regulation 2018/1046; see Article 7).

Subcontracting to beneficiaries — Is NOT allowed in the same grant. All beneficiaries contribute to and are interested in the action; if one beneficiary needs the services of another in order to perform its part of the work it is the second beneficiary who should declare its own costs for that work.

Subcontracting to affiliates — Is normally NOT allowed in the same grant. As for subcontracting between beneficiaries (see above), affiliated entities participating in the action should declare instead their own cost for that work. Subcontracting to affiliated entities not participating in the action is possible only exceptionally e.g. in case of monopoly or where they have a framework contract (affiliate is their usual provider). The subcontracting still needs to comply with the general and specific cost eligibility conditions, in particular ensure best value for money or lowest price and avoid any conflict of interest. As best practice, these affiliates should rather be added to the action, be identified as affiliated entities under Article 8 and declare their own costs for that work.

Subcontracting to associated partners or third parties giving in-kind contributions — Exceptionally possible, e.g. in case of monopoly or where they have a framework contract (the associated partner or third party giving in-kind contributions is their usual provider) and provided that the Annex 1 DoA explains clearly what tasks the participant will perform as associated partner, or contribute to as third party giving in-kind contributions and what tasks will be performed as subcontractor (the latter remaining the responsibility of the subcontracting beneficiary). The subcontracting needs to comply with the general and specific eligibility conditions, in particular ensure best value for money or lowest price and avoid any conflict of interest.

3. Purchase Costs

This budget category covers, depending on the options that apply, the following sub-categories:

- **Travel, accommodation and subsistence**
- **Equipment**

- Other goods, works or services, if **necessary** to implement the action.

The costs must:

- fulfil the **general conditions** for costs to be eligible (i.e. incurred/used during the action duration, necessary, linked to the action, etc)
- be based either on the **best value for money** (considering the quality of the service, good or work proposed, i.e. the best price-quality ratio) or on the lowest price
- not be subject to **conflict of interest** and
- comply with the **applicable national law on public procurement**; these rules normally provide for special procurement procedures for the types of contracts they cover.

Specific Cases (Purchase Costs)

Purchases between participants — Are in principle **not accepted**. If a beneficiary needs supplies from another beneficiary, it is the latter beneficiary that should charge them to the action as cost. (Otherwise there is the risk that the grant is used to charge commercial profit margins.) Purchases between participants will only be accepted in **exceptional and properly justified cases**.

Framework contracts — Framework contracts can be used for selecting a provider if this is the usual practice of the beneficiary (e.g. for a type of goods). In order to be eligible, the framework contract must (have) be(en) awarded on the basis of best-value-for-money or lowest price and absence of conflict of interest. The framework contract does not necessarily have to be concluded before the start of the action.

Providers of research infrastructures services for transnational and virtual access of users (HE) —The reimbursement of their costs by the beneficiaries will be considered as a specific purchase of services which will be specified in Annex 1. If (e.g. due to the applicable national law) an entity providing research infrastructure services cannot issue an invoice to a beneficiary, but is paid or reimbursed via any other form of transaction, this can be assimilated to an invoice and accepted as eligible purchase costs.

Best value for money can be assured if the providers do not make a profit and their access costs are calculated according to a well-defined methodology. To this extent, sufficient details must be provided, such as name of the service providers, purchase costs and object, as well as the explanation why these service providers are needed and why the purchase costs of the services are appropriate.

Best practice: Beneficiaries should **contact the granting authority**, if they intend to amend the grant to change **a specific purchase of service assessed during proposal evaluation** or to **introduce a new specific purchase of service** during the action implementation.

a. Travel and Subsistence

In addition to the below, new travel/subsistence costs not included in the original budget must adhere to the UKRI policy on business expense claims, business travel, and subsistence, found [here](#).

This budget category covers travels and related accommodation and subsistence allowances needed for the action. For some programmes, it is specifically broken down in the following sub-categories:

- Travel
- Accommodation
- Subsistence.

If the actual costs option is activated in the Grant Agreement, the costs must be **declared as actual costs**.

The costs must comply with the eligibility conditions set out in Article 6.2.C.1, in particular:

- fulfil the **general conditions for actual costs to be eligible** (i.e. incurred during the action duration, necessary, linked to the action, etc.)
- be in line with the beneficiary's usual practices on travel.

The travels for which costs are claimed must be **necessary for the action** (e.g. to present a paper explaining the results of a conference). Travel costs related to an event at which the beneficiary carried out work that was **not specifically related to the action** are NOT eligible.

All travel costs must be limited to the needs of the action; costs related to **extensions** (for other professional or private reasons) are NOT eligible.

Moreover, they must be adequately recorded.

Costs for breakfast for an overnight stay (if not included in the cost of the hotel room) can be charged (as subsistence costs) to the action if it is the beneficiary's normal practice to reimburse them.

Costs of a combined travel (i.e. where the end point of travel is different from the start) can be charged to the action **ONLY** up to the cost that would have been incurred if the travel would have been made exclusively for the action (i.e. up to the theoretical cost of travelling directly back to the start point) **AND** if:

- it is the usual practice of the beneficiary to pay for such travels (e.g. travels combining professional and personal reasons)
- it has been an actual cost for the beneficiary.

If the host organisation reimburses travel and/or subsistence allowances as a per diem payment, it is the per diem amount that is considered an eligible cost, NOT the actual prices paid by the person receiving the per diem. (For the purposes of the grant, these per diem costs remain actual costs, NOT simplified forms such as unit costs). They must be recorded in the beneficiary's accounts and will be checked if there is an audit.

There is no specific calculation method; **the costs must correspond to the eligible costs actually incurred** (amounts paid for the travel, accommodation and subsistence).

Best practice: Beneficiaries that have **special/atypical/particularly expensive travel** plans should contact the granting authority for advice.

Specific Cases (Travel & Subsistence)

Travel and subsistence for persons other than personnel e.g. conference speakers, visiting experts (actual or unit cost) — Travel and subsistence costs may also be eligible for persons that participate in the action on an ad-hoc basis (e.g. attending specific meetings), if this complies with the general and specific eligibility conditions in Article 6.1 and 6.2.C, in particular being necessary for the implementation of the action, and:

- their participation is foreseen in Annex 1, or
- their participation is specifically justified in the periodic technical report and approved by the granting authority (simplified approval procedure).

In line with the beneficiary's usual practices on travel, the beneficiary may purchase itself or reimburse these persons.

b. Equipment

i. Equipment Costs (Depreciation Costs)

A relevant share of the annual costs of the equipment may be charged to each Grant involving use of the equipment. This may be either Directly Incurred if usage by each project is auditable and charged based on actual usage, or Directly Allocated if based on estimates. Under TRAC the annual costs include depreciation, which is then deducted from the estates costs. Note that if the equipment was originally purchased with funding from UKRI, then in accordance with TRAC methodology the actual depreciation would not have been charged to the estates cost in the first place, so by deducting it, the total FEC of the project includes no net charge for this depreciation.

The costs must:

- fulfil the **general conditions** for actual costs to be eligible (i.e. incurred during the action duration, necessary, linked to the action, recorded in the beneficiary's accounts, etc)
- have been purchased for the project & any costs charged must be proportionate to the equipment time allotted to the project
- be written off in accordance with **the beneficiary's usual accounting practices** and with international accounting standards

ii. Equipment Costs (Full Cost)

If eligible under the Grant Agreement with the full cost option (option in HE, RFCS, DEP, EDF, SMP, EU4H, EUAF, UCPM; mandatory in CEF, CCEI, HUMA), the beneficiaries/affiliated entities may charge 'Equipment costs' as full costs.

Note: In your Grant Agreement, this option is labelled 'full cost only' (NOT 'depreciation and full cost for listed equipment' or 'full cost and depreciation for listed equipment').

Equipment that does not comply with the specific conditions for full cost (e.g. equipment purchased prior to the action but used for the action) must be declared using the normal depreciation cost.

In this case, the equipment costs cover the **full capitalised costs for the equipment, infrastructure or other assets to the grant**.

'Capitalised' costs means **recorded as assets in the beneficiary's balance sheet**. They may relate to:

- the full purchase costs and/or
- the full development costs

and must be recorded under a fixed asset account in the beneficiary's accounting records in compliance with international accounting standards and the beneficiary's usual cost accounting practices.

The costs must be declared as **actual costs**.

The costs must comply with the eligibility conditions set out in Article 6.2.C.2, in particular:

for **full purchase costs**:

- fulfil the **general conditions** for actual costs to be eligible (i.e. incurred during the action duration, necessary, linked to the action, recorded in the beneficiary's accounts, etc; see Article 6.1(a)) and
- have been purchased in accordance with Article 6.2.C

for **full development costs**:

- depending on the nature of the cost items included in the development cost, fulfil the **general and specific cost eligibility conditions** that would apply to the individual cost item (for example, have been purchased in accordance with Article 6.2.C or fulfil the specific conditions for personnel costs to be eligible Article 6.2.A).

Specific Cases (Equipment Costs)

Full price of a low-value asset in one single year (depreciation) — If the option for depreciation is activated in the Grant Agreement, full cost of a low-value asset may exceptionally be eligible in the year when it is purchased if:

- the full cost is recorded in the accounts of the entity in accordance with its usual accounting practices as expenditure of that year (i.e. NOT recorded as an asset subject to depreciation)
- the cost of the asset is below the low-value ceiling as defined under national law (e.g. national tax legislation) or other objective reference compatible with the materiality principle and
- the item is used exclusively for the action in the year of purchase.

If the item is not used exclusively for the action in the year of purchase, only the portion used on the action may be charged.

Equipment bought before the action starting date (depreciation) — If the option for depreciation is activated, depreciation costs for equipment used for the action, but bought before the action starting date are eligible if they fulfil **the general eligibility conditions** of Article 6.1(a). The remaining depreciation costs (the equipment has not been fully depreciated before the action's start) may be eligible for the **portion corresponding to the action duration and to the rate of actual use for the purposes of the action**.

Cash-based accounting — There are NO exceptions for cash-based accounting. If the option for depreciation is activated, also beneficiaries with cash-based accounting may only charge the annual depreciation costs that correspond to the part of the equipment's use for the action. They can NOT charge the full price in one single year.

Costs of renting or leasing of equipment, infrastructure or other assets (depreciation and full cost) — If the equipment was not purchased but rented or leased, the beneficiaries can **charge the renting or leasing costs** (i.e. finance leasing, renting and operational leasing) — both if the option for depreciation or the full cost option are activated.

The costs must comply with the **general and specific eligibility conditions**. The costs must be calculated according to the following principles:

- they must correspond to the **actual eligible costs** incurred for the renting or leasing
- they must not exceed the **depreciation costs of similar equipment, infrastructure or assets**
- they must not include any financing fees (e.g. finance charges included in the finance lease payments or interests on loans taken to finance the purchase)
- there must be **no double charging** of costs (e.g. no charging of depreciation costs for equipment previously funded at full cost by an EU grant)

- where the Grant Agreement provides for depreciation: if equipment is not used exclusively for the action, only the portion used on the action may be charged (the amount of use must be auditable)
- where the Grant Agreement provides for full cost: in principle the full rental or lease cost can be charged, irrespective of the portion used on the action. However, the cost still cannot exceed depreciation costs of similar equipment/infrastructure/assets that need to be determined based on the duration of the action (i.e. if you enter into a 5- year lease at the start of a 3- year action, you may only charge cost up to the amount of depreciation for three years).

c. Works, and Services

This budget category covers the costs for **goods and services that were purchased for the action**, such as:

- communication and dissemination costs (e.g., translation and printing costs or graphic designer fees for printed products such as leaflets or other promotional items in relation to communication activities; conference fees; costs for speakers and interpreters)
- costs related to intellectual property rights (e.g. costs related to protecting the results such as consulting fees or fees paid to patent offices)
- costs for certificates on financial statements and certificates on methodology
- costs for financial guarantees (only if required by the granting authority)
- costs for software access or licenses for exclusive benefit of the research project

Best practice: If there is any doubt about whether a cost is eligible, or whether a cost is to be considered a purchase cost for other goods, works and services, the host organisation should contact UKRI.

Costs of other goods, works and services must be declared as **actual costs**.

The costs must:

- fulfil the **general conditions** for actual costs to be eligible (i.e. incurred during the action duration, necessary, linked to the action, etc) and
- be **purchased specifically for the action**.

Regarding the calculation, the costs must **correspond to the eligible costs actually incurred** (i.e. the amount paid by the beneficiary for the supply of the goods, works or services).

Specific Cases (Costs for Other Goods, Works and Services)

Staff provided by a temporary work agency — Costs for staff provided by a temporary work agency are eligible normally under category C.3 Other goods and services if they comply with the eligibility conditions (and unless the temporary work agency **carries out directly some task of the action**, in which case it can be considered as subcontracting and should be declared under category B. Subcontracting).

Communication and dissemination plans — The eligibility of costs for communication and dissemination plans (e.g. *HE plan for the exploitation and dissemination of results*) depends on their timing. Costs for the drawing up of plans that must be submitted together with the proposal are normally NOT eligible since they will have been incurred before the start of the action, to prepare the proposal. Costs for plans that are required only later or that occur when revising or implementing the plan may be eligible if the eligibility conditions are fulfilled.

Protection of results — Costs related to the protection of the action's results may be eligible if the eligibility conditions are fulfilled. However, costs related to protection of other intellectual property (e.g. background patents) are NOT eligible.

IPR access rights (HE) — Royalties paid for IPR access rights (and by extension any lump sum payments) may be eligible costs provided that all the eligibility conditions are fulfilled (e.g. necessary for the implementation of the action, incurred during the action, reasonable, etc).

The following are however NOT eligible (or eligible only within certain limits):

- royalties for an exclusive licence: are eligible only if it can be shown that the exclusivity (and thus the higher royalties) is absolutely necessary for the implementation of the action
- royalties for licensing agreements which were already in force before the start of the action: only the part of the licence fee that can be linked to the action is eligible (since the licence presumably goes beyond the action implementation)
- royalties for access rights to background granted by other beneficiaries for implementing the action: since the default rule is that access rights are granted on a royalty-free basis and beneficiaries may deviate only if agreed before grant signature, royalties may be eligible only if explicitly agreed by all beneficiaries before grant signature

Best practice: If beneficiaries intend to deviate from the default rule, it is recommended that this is explained in detail in their proposal.

- royalties for access rights to background granted by other beneficiaries for exploiting the results and by extension royalties paid to third parties for exploitation of the results: are NOT eligible.

d. Other Cost Categories

If eligible under the Grant Agreement, the beneficiaries/affiliated entities may charge costs under 'Other cost categories'.

E.g.

- Financial support to third parties (FSTP)
- Internally invoiced goods and services
- HE Access to research infrastructure costs

- HE PCP/PPI procurement costs
- HE Euratom COFUND staff mobility costs
- HE ERC additional funding

Depending on the provisions of the specific cost categories, they must be **declared** as actual costs (or any other cost type, e.g. unit cost, flat rate or lump sum).

The costs must comply with **the eligibility conditions set out in each specific cost category**.

i. Internally Invoiced Goods and Services

If eligible under the Grant Agreement, the host organisation may charge costs under 'Internally invoiced goods and services'.

This budget category covers the costs for **goods and services that the beneficiary itself produced or provided for the action**. They may include (non-exhaustive list):

- self-produced consumables (e.g. electronic wafers, chemicals)
- use of specific devices or facilities needed for the action (e.g. clean room, wind tunnel, supercomputer facilities, electronic microscope, animal house, greenhouse, aquarium)
- standardised testing or research and development processes (e.g. genomic test, mass spectrometry analysis)
- hosting services for visiting project team members participating in the action (e.g. housing, canteen).

What not? Costs of goods or services purchased and costs of goods or services internally invoiced which are not directly used for the action (e.g. supporting services like cleaning, general accountancy, administrative support, etc).

The costs must be declared as unit costs in accordance with usual cost accounting practices. The usual cost accounting practices must define both the unit (e.g. hour of use of wind tunnel, one genomic test, one electronic wafer fabricated internally, etc) and the methodology to determine the cost of the unit

It is NOT necessary to have a document called 'internal invoice' to support these costs, but the beneficiary should have a documented methodology how to determine them (such a methodology must be part of its usual costs accounting practices). The beneficiary must also keep supporting evidence of the use of the good or service for the action and showing the number of units used.

The costs must:

- fulfil the **general conditions** for unit costs to be eligible (i.e. used during the action duration, necessary for the action, identifiable and verifiable, etc)

- be in line with the **beneficiary's usual cost accounting practices** and
- the cost accounting practices must have been applied in a **consistent manner, based on objective criteria**, regardless of the source of funding.

It must be the **usual practice of the beneficiary** to calculate a unit cost for that good or service. The unit costs is the internal cost per unit that is charged between departments of the same entity; it is not the price charged in the context of commercial sales or to grants from other fund providers.

The costs must be **calculated using the actual costs** recorded in the beneficiary's accounts, excluding any ineligible costs or costs already included in other budget categories.

ii. Access to Research Infrastructure Costs

This cost category will be inserted for the Horizon Europe standard types of action (e.g. RIA, CSA, COFUND, etc) that involve transnational and/or virtual access to research infrastructure for scientific communities ('provision of access activities'), in particular calls under Part III of the HE Work Programme, 'Research Infrastructures'.

For these actions, the beneficiaries/affiliated entities may charge 'transnational or virtual access to research infrastructure unit costs'.

The budget category covers direct and indirect access costs for providing transnational access to research infrastructure (i.e. the installation's operating costs and costs related to logistical, technological and scientific support for users, including ad-hoc user training and the preparatory and closing activities needed to use the installation).

What not? Travel and subsistence costs for users to get transnational access are not included in the access costs. These costs can be reimbursed separately, see Travel and subsistence.

If declared under this budget category, the costs must be **declared as unit costs, using the unit cost table** (rates per unit of access) **agreed with the granting authority**.

The costs must comply with the **eligibility conditions**, in particular:

- fulfil the **general conditions** for costs to be eligible (i.e. incurred/used during the action duration, necessary, linked to the action, correct calculation, etc.)
- be incurred for providing **transnational or virtual access to research infrastructure** to scientific communities.

iii. HE ERC Additional Funding

This cost category will be inserted for all Horizon Europe ERC actions.

For these actions, the beneficiaries/affiliated entities may charge 'ERC additional funding'.

The budget category covers types of costs for additional funding set out in the applicable ERC Work Programme (e.g. major equipment, major fieldwork costs, etc).

They must be declared as **actual** costs or, for additional funding related to internally invoiced funding and services, as unit costs in accordance with usual cost accounting practices.

The costs must:

- fulfil the **general conditions** for costs to be eligible (i.e. used during the action duration, necessary for the action, identifiable and verifiable, etc)
- fulfil the **eligibility conditions for the underlying types of costs** in question (e.g. costs related to a purchase of major equipment must also fulfil the specific eligibility conditions for the cost category Equipment) and
- be incurred for activities **eligible for additional funding** and for objectives for which it was awarded.

4. Indirect Costs

This budget category covers all costs for the action that are **not directly linked to it** (i.e. overheads).

Indirect costs are declared as a fixed flat-rate. For Horizon Europe programmes based on a lump-sum model, indirect costs are calculated as a 25% flat rate of eligible direct costs. For most other programmes the flat-rate is fixed at 7% of the eligible direct costs.

The costs must comply with the eligibility conditions set out above, in particular:

- fulfil the **general conditions for flat-rate costs** to be eligible (i.e. costs to which the flat-rate is applied must be eligible, correct calculation, etc.)

The costs must be calculated by applying the 7% flat-rate to the eligible costs (categories A-D, except volunteers costs and exempted specific cost categories, if any).

For Horizon Europe, all specific cost categories except D.7 ERC additional costs are exempted (i.e. do NOT count for the flat-rate).

5. EC Ineligible Costs and Contributions

Costs and contributions are ineligible, if one of the following applies:

1. They do not meet the **general and specific eligibility conditions** set out in Articles 6.1 and 6.2 of the AMGA.
2. They are listed in Article 6.3 of the AMGA, in particular:
 - costs related to **return on capital or dividends** paid by a beneficiary
 - **debt** and debt service charge
 - provisions for **future losses or debts**
 - **interest owed** (e.g. negative interest charged to the beneficiary's bank account)
 - **currency exchange losses** (i.e. for beneficiaries using currencies other than euros or being invoiced in a currency other than the currency they use: any loss due to exchange rate fluctuations, e.g. between the date of invoicing and the date of payment)
 - **bank costs** charged by the beneficiary's bank for transfers from the granting authority
Conversely, bank charges for the distribution of the EU funding from the coordinator to the beneficiaries may constitute an eligible cost for the coordinator (if the eligibility conditions of Article 6.1 and Article 6.2.C.3 are met).
 - **excessive** or reckless expenditure
 - **ineligible VAT** (deductible or refundable VAT, including VAT paid by public bodies acting as public authority)
 - costs incurred during the **suspension** of the implementation of the action
 - costs declared under another grant (i.e. **double funding**)
 - 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) cannot be charged to the project.
 - costs or contributions (especially travel and subsistence) for staff or representatives of EU institutions, bodies or agencies
 - for restricted calls: costs or contributions for activities that do not take place in the eligible countries or target countries set out in the call conditions — unless approved by the granting authority
 - cost declared specifically ineligible in the call conditions.

6. Additional Guarantee Ineligible Direct Costs

Further to the above, **unless they have already been approved as part of the original proposal**, the following costs are not eligible on Guarantee grants:

- Costs for student training or maintenance, including teaching, which were not included in the original proposal and/or directly linked to the research project. For example, if a PhD candidate on a Guarantee MSCA DN grant undertakes graduate teaching training, this may only be charged to the grant if it was explicitly specified in the original proposal/ESR.

- Teaching replacements: Guarantee funding may not be used to pay for teaching replacements, e.g. 'buy-outs' to fund cover for a PI/team member's teaching commitments.
- Redundancy costs: redundancy costs are not eligible as direct costs, but may be covered by indirect costs if this is in line with the host organisation's usual practice.
- Proposal preparation costs: we will not provide funding towards preparation of other research proposals.
- Bonuses, awards, merit pay: Guarantee funding may not be used to pay for financial bonuses or discretionary rewards of any kind.
- Carbon offsets.
- Alcohol: while catering may be covered under indirect costs in some circumstances, UKRI will not provide funding towards the provision of alcohol.
- Insurance: Insurance costs should be considered indirect costs UNLESS they are clearly and directly attributable to the research project.
- General consumables (laboratory/office supplies etc.): it is expected that these will be part of indirect costs unless clearly and directly attributable to specific project tasks.