Cost categories and eligible costs

Tutorial

DG DEFIS Unit R2 – Financial management & internal control
When this tutorial may be useful

PREPARATION OF THE PROPOSAL

- Detailed Budget Table
- Estimations

ACTUAL COSTS GRANTS

GAP

IMPLEMENTATION OF THE ACTION

- Financial Statements
  - Reporting Table

ANNEX 2
When this tutorial may be useful

PREPARATION OF THE PROPOSAL

DETAILED BUDGET TABLE
ESTIMATIONS

LUMP SUMS GRANTS

Estimated costs are assessed and “translated” into Lump Sums

IMPLEMENTATION OF THE ACTION

GAP

ANNEX 2
Eligibility conditions

GENERAL ELIGIBILITY CONDITIONS

In the duration of the action
Estimated in the budget
Necessary for the implementation
Identifiable and verifiable
Comply with the applicable tax and social legislation
Sound financial management (economy and efficiency)
Indirect costs (25% or AIC)

SPECIFIC ELIGIBILITY CONDITIONS

Costs categories, calculation methods and reporting

TOTAL COSTS

FINANCIAL REGULATION + EDF

CALL FOR PROPOSALS

AGA

NON-ELIGIBLE COST

ELIGIBLE COSTS

NON-ELIGIBLE COST
Costs categories in EDF

A. PERSONNEL COSTS
   A.1 Employees
   A.2 Natural persons under direct contract
   A.3 Seconded persons by a third party against payment
   A.4 SME owners and natural persons

B. Subcontracting costs

C. Purchase costs
   C.1 Travel and subsistence
   C.2 Equipment
   C.3 Other goods, works and services

D. Other costs
   D.1 Financial support to third parties
   D.2 Internally invoiced goods and services

E. INDIRECT costs
Reference documents

Filters

Programme: European Defence Fund (EDF)

Grants
This page includes reference documents of the programmes managed on the EU Funding & Tenders portal starting from 2021-2027. Please select the programme to see the reference documents.

Procurement
Reference Documents related to tendering opportunities are published on TED eTendering in the calls for tenders.

Filter:

- Legislation
- Work programme & call documents
- Grant agreements and contracts
- Simplified cost decisions
- Guidance

Online Manual

- Rules for Legal Entity Validation, LEAR Appointment and Financial Capacity Assessment
- Amendment Guide
- AGA- Annotated Grant Agreement
- Indicative Audit Programme (IAP)
- Rules for Arbitration

Templates & forms
- Funding & Tenders Portal
## COST CATEGORY

Costs covered by the subcategory

<table>
<thead>
<tr>
<th>Subcategory name</th>
<th>Calculation description and steps</th>
<th>SUBCATEGORY COSTS result</th>
</tr>
</thead>
</table>

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**EUROPEAN DEFENCE FUND**
A . PERSONNEL COSTS

Salaries, social security contributions, taxes and other costs linked to the remuneration if they arise from national law or the employment contract.

A .1 EMPLOYEES

Personnel with employment contract

A.1 COSTS

1. Calculate the Maximum declarable day-equivalents for the period reported (limited to 215 days per year):

Maximum declarable day-equivalents = \( \frac{215}{12} \times \text{number of months of the period} \)

2. Obtain the daily rate:

\[
\text{Daily rate} = \frac{\text{Actual personnel costs during the months within the reporting period}}{\text{Maximum declarable day-equivalents}}
\]

3. Calculate and declare the costs for the period:

\[
\text{A.1 COSTS} = \text{Day equivalents worked in the action} \times \text{Daily rate}
\]
**A. PERSONNEL COSTS**

**Salaries, social security** contributions, **taxes** and **other costs** linked to the remuneration if they arise from national law or the employment contract.

**A.1 EMPLOYEES**

**UNIT COSTS**

1. Calculate the daily rate using the actual personnel costs recorded in your accounts* excluding:
   - any ineligible cost
   - costs already included in other budget categories (no double funding of the same costs)

2. Calculate and declare the costs for the period:

   \[ A.1 \text{ COSTS} = \text{Day equivalents worked in the action} \times \text{Daily rate} \]

*The cost accounting practices are applied in a consistent manner, based on objective criteria that must be verifiable if there is a check, review, audit or investigation and regardless of the source of funding.
A. PERSONNEL COSTS

Remuneration and taxes for persons:

- Direct contract or secondment agreement with the person’s employer.
- Work conditions similar to employees (presence, supervision and remuneration based on working time).
- Result of the work belongs to the beneficiary.
- Cost comparable to employees.

A.2 or A.3 COSTS = X Day equivalents worked in the action x Daily rate

ACTUAL COSTS

1. Obtain the daily rate according to the contract/agreement provisions.
2. Calculate and declare the costs for the period:

**Contract ≠ employment**
UNIT COSTS

A.4 SME owners and natural persons

Calculate and declare the costs in accordance with the methodology set out in Decision C(2020) 7115* and set out in Annex 2a:

A.4 COSTS = Country-specific coefficient of the country where the beneficiary is established × EUR 5 080 / 18 days × Day equivalents worked in the action

NOT receiving a salary

* Commission Decision of 20 October 2020 authorising the use of unit costs for the personnel costs of the owners of small and medium sized enterprises and beneficiaries that are natural persons not receiving a salary for the work carried out by themselves under an action or work programme (C(2020)7115).
B. SUBCONTRACTING COSTS

Costs of subcontracted tasks:

- Work performed in the EU countries or Norway.
- < 30% of the total costs per beneficiary (strict limit for SME calls).
- Subcontracting to other beneficiaries or AEs not allowed.

Attention to tasks that cannot be delegated (obligations of the coordinator or beneficiaries according to the GA)

ACTUAL COSTS

Obtain the costs according to the contract provisions and invoices paid to the subcontractor.

\[ \text{B. COSTS} = \text{Amounts paid to the subcontractor} \]
Purchase costs for the action:

- including related duties, taxes and charges, such as nondeductible or non-refundable VAT
- are bought using the beneficiary’s usual purchasing practices — provided these ensure best value for money (or if appropriate the lowest price)
- there is no conflict of interests.
C. PURCHASE COSTS

Costs for travel and subsistence:
- Foreseen in the action or authorized by the Commission.

⚠️ Do not include in this subcategory other costs non-related to the travel or subsistence (such as conference registration fees).

C.1 TRAVEL and SUBSISTENCE

ACTUAL COSTS

Obtain the costs according to travel tickets and hotel invoices, subsistence allowance practices.

\[
\text{C.1. COSTS} = \text{Amounts paid against invoices for travel and accommodation} + \text{travel allowance (if applicable)}
\]
C. PURCHASE COSTS

C.2 EQUIPMENT

• **Depreciation costs:**
  - Usual accounting practices (international standards).
  - Rate of actual use in the action.

• **Renting or leasing** are eligible, if they do not exceed the depreciation costs of similar equipment and do not include any financing fees.

• **Full cost** for listed equipment in the GA allowed for development actions subject to justification and acceptance* by the EC during GAP.

**ACTUAL COSTS**

\[
\text{C.2. COSTS} = \text{Depreciation during the period of use in the action} \times \text{Rate of actual use in the action}
\]

* Only full cost for equipment in relation to system prototyping activities will be considered.
C. PURCHASE COSTS

C.3 Other goods, works and services

- Consumables and supplies (e.g. raw materials, office supplies, software licenses, low-value assets…)
- Communication and dissemination costs (e.g. printing leaflets, conference fees…)
- Intellectual property rights (IPR) (e.g. costs related to protecting the results such as consulting fees or fees paid to patent offices)
- Certificates on financial statements (CFS) for beneficiaries/AEs which total requested EU contribution ≥ EUR 325 000
- Financial guarantees if required by the granting authority.

⚠️ New website for the project is not eligible

ACTUAL COSTS

C.3. COSTS = Amounts paid against invoices
D. OTHER COSTS

D.1 Financial support to third parties (FSTP)

- The beneficiaries of the EU grant provide themselves in turn a financial contribution to third parties.
- **Only for the topics for which FSTP is allowed.** The specific conditions such as maximum amount per third party or overall ceiling are specified in the call document.
- Conditions for the contributions must ensure objective and transparent selection procedures

**ACTUAL COSTS**

\[
\text{D.1. COSTS} = \text{Number of FSTP} \times \text{Amount of FSTP}
\]
D. OTHER COSTS

Goods or services which are provided within the beneficiary’s organisation (usual case for big research organisations).

UNIT COSTS

Calculation of unit price:

▪ actual costs recorded in the beneficiary’s accounts
▪ attributed either by direct measurement or on the basis of cost drivers
▪ excluding ineligible costs or costs declared under other category
▪ according to usual cost accounting practices applied in a consistent manner, based on objective criteria, regardless of the source of funding

D.2. COSTS  =  Number of units  \times  Unit price invoiced
E. INDIRECT COSTS

Two options to declare Indirect Costs

1) FLAT RATE

25% of the total direct eligible costs of the action, excluding:

- Subcontracting
- Financial support to third parties
- Internally invoiced goods and services

E. COSTS = 25% \times \text{Total eligible direct costs (excluding subcontracting and internally invoiced goods and services)}
E. INDIRECT COSTS

Two options to declare Indirect Costs

2) ACTUAL INDIRECT COSTS

As alternative to the 25% flat rate, and **limited to** beneficiaries:

- Submit the **Actual Indirect Cost methodology** declaration with the proposal.
- Their cost accounting practices are **accepted by their national authorities** for comparable activities in the defence domain.

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**AIC METHODOLOGY**

- CALCULATION
- ADJUSTMENTS
- PROJECTS

**INDIRECT COSTS CHARGED TO THE PROJECT**

**CONFIRMATION BY THE COMPETENT AUTHORITY**

**No change of option (25% actual) during the project**

**Assessment of the methodology -> corrections or even 25% flat rate**
All costs not complying with general and specific eligibility rules.

Examples:

- costs of associated partners
- average costs (units) declared as actual costs
- currency exchange losses
- deductible or refundable VAT
- costs of tasks carried out using infrastructure, facilities, assets and resources located outside the EU/Norway
- in-kind contributions by third parties
MANY THANKS FOR YOUR ATTENTION