



HORIZON EUROPE

THE EU RESEARCH & INNOVATION PROGRAMME

2021 – 2027

Bridge2HE Event

Personnel costs



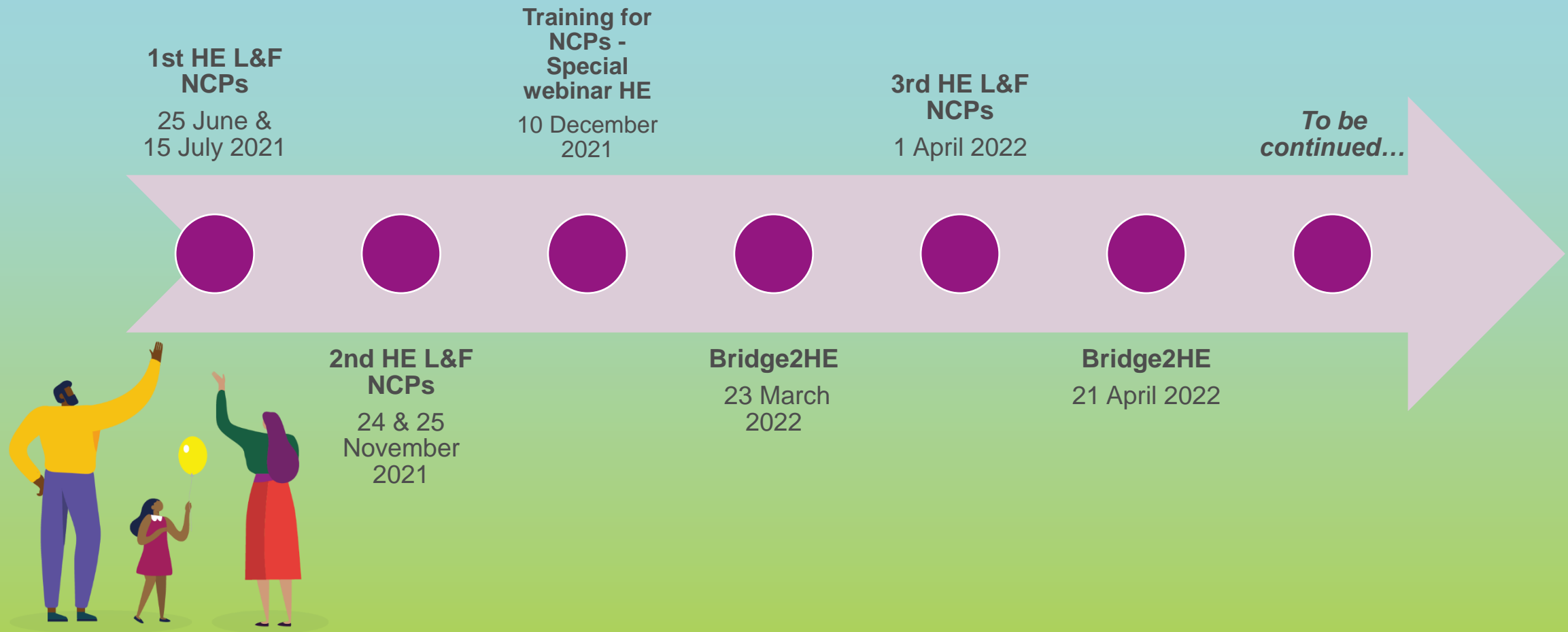
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21 April 2022

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Research and
Innovation

Towards a new framework of more frequent & interactive meetings



Overview - Horizon Europe MGA cost categories



A. PERSONNEL COSTS

- **A.1** Employees
- **A.2** Natural persons under direct contract
- **A.3** Seconded persons
- **A.4** SME owners and natural person beneficiaries



B. SUBCONTRACTING COSTS



C. PURCHASE COSTS

- **C.1** Travel and subsistence
- **C.2** Equipment
- **C.3** Other goods, works and services



D. OTHER COST CATEGORIES

- **D.1** Financial support to third parties
- **D.2** Internally invoiced goods and services
- **[D.3 Transnational access to research infrastructure unit costs]**
- **[D.4 Virtual access to research infrastructure unit costs]**
- **[D.5 PCP/PPI procurement cost]**
- **[D.6 Euratom Cofund staff mobility costs]**
- **[D.7 ERC additional funding]**
- **[D.8 ERC additional funding (subcontracting, FSTP and internally invoiced goods and services)]**



E. INDIRECT COSTS



What are the categories of personnel?

(Article 6.2.A Horizon Europe MGA)

A.1 EMPLOYEES (OR EQUIVALENT)

- ❖ **What?** For your personnel working under an **employment contract** (or **equivalent appointing act**, e.g. for civil servants) and assigned to the action.

Three cases:

- ✓ Employees with a fixed salary
- ✓ Employees whose remuneration increases when working in projects (**‘project-based remuneration’**)
- ✓ Employees of a beneficiary whose usual cost accounting practice is to calculate average personnel costs (**‘average personnel costs’**)

A.2 PERSONS UNDER DIRECT CONTRACT & A.3 SECONDED PERSONS AGAINST PAYMENT

- ❖ A.2 Costs for natural persons working under a **direct contract other than an employment contract** (e.g. in-house consultants)
- ❖ A.3 costs for seconded persons **by a third party against payment.**

A.4 SME OWNERS AND NATURAL PERSON BENEFICIARIES

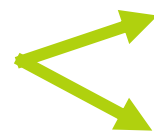
- ❖ Costs for SME owners (i.e. owners of beneficiaries that are small and medium-sized enterprises **not receiving a salary**) or
- ❖ Costs for **natural person beneficiaries** (i.e. beneficiaries that are **natural persons** not receiving a salary)

CATEGORY A.1 'EMPLOYEES'



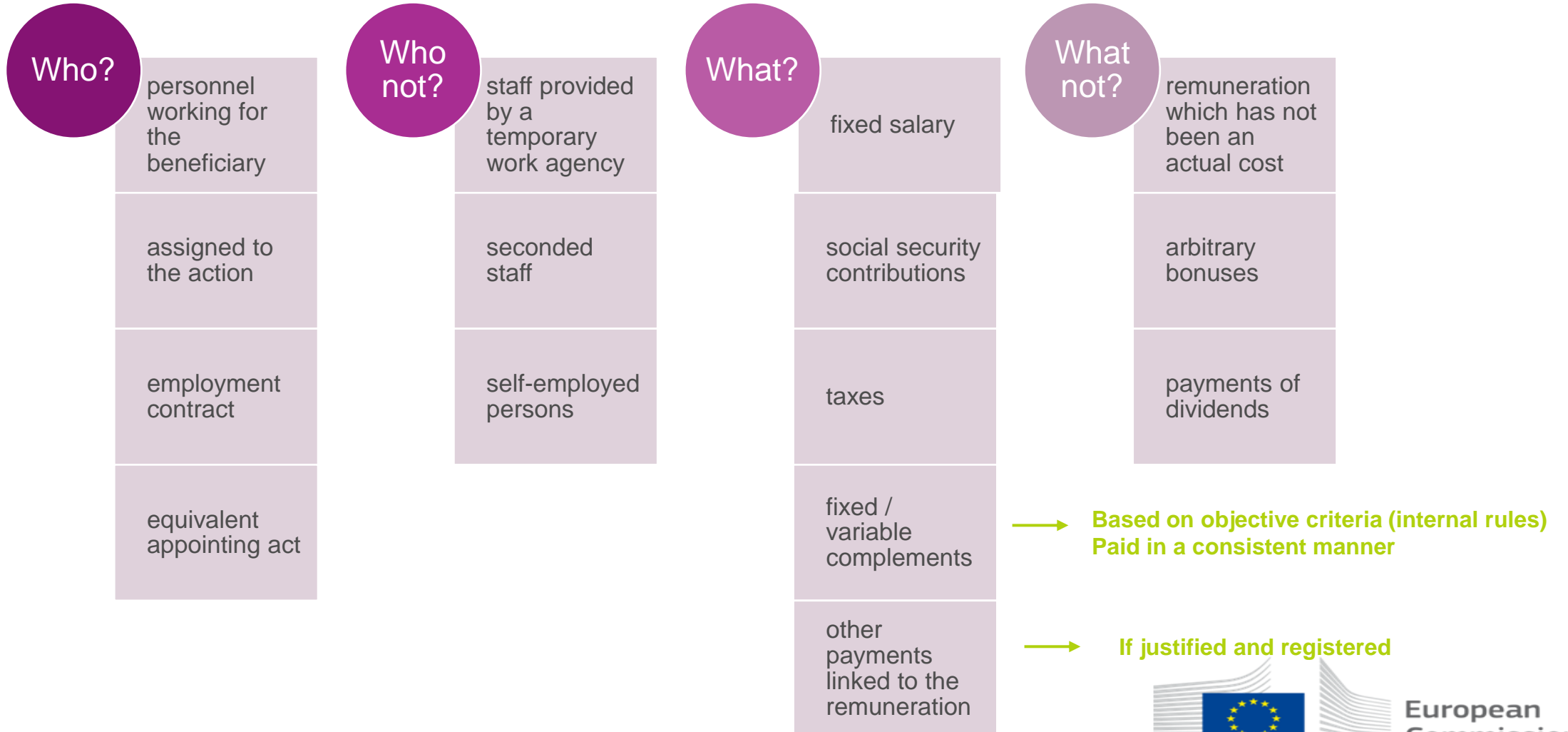


Category A.1 'Employees'



fulfil the general conditions

be paid in accordance with national law, collective labour agreement, employment contract/equivalent

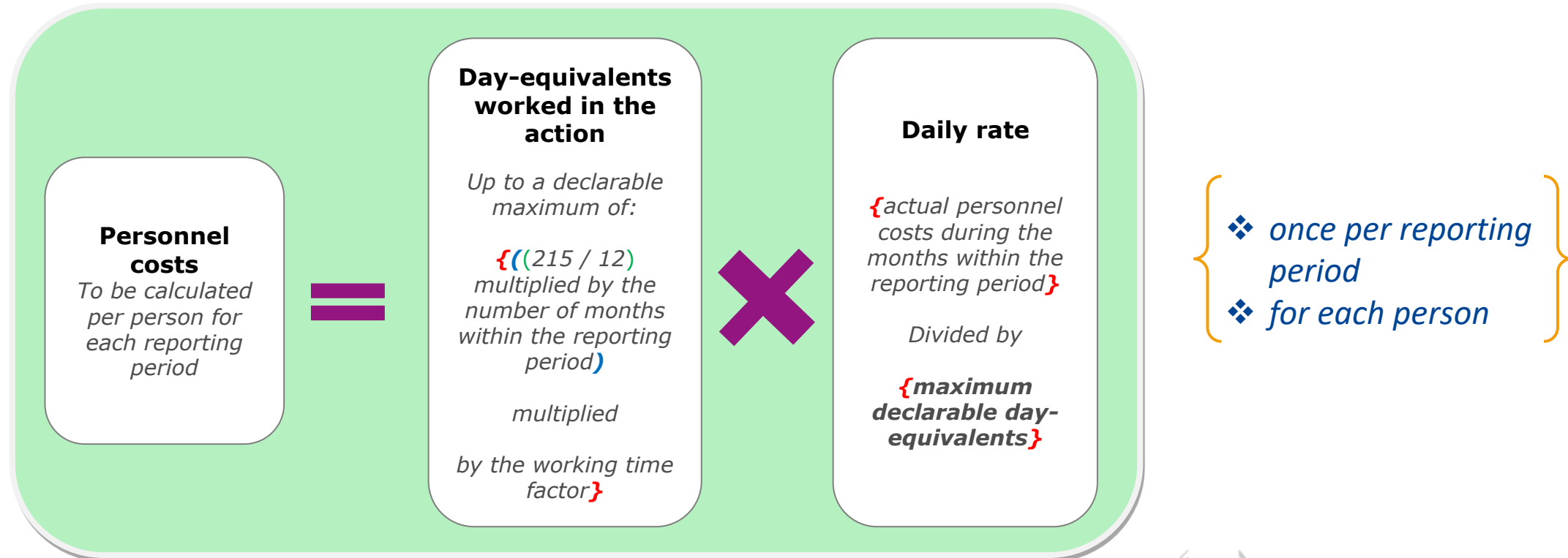


How to calculate your personnel costs for a given reporting period ?

Category A.1

Case 1: Employees with a fixed salary

Corporate formula



Days-equivalents worked in the action

- Sum of the day-equivalents actually worked in the action

- Recorded  reliable time-recording system

-  monthly declaration on days spent for the action



Consistency

EU GRANTS DECLARATION OF DAYS WORKED ON A PROJECT			YEAR:	
<i>To be filled in and uploaded as deliverable in the Funding & Tenders Portal Grant Management System, at the due date foreseen in the system.</i>				
Project acronym:		Project number:		
Participant name:				
Name of the person:		Type of personnel: <small>(employee/ natural person under direct contract/ seconded/ other)</small>		
Month	Days worked in the action ¹ <small>(e.g. 15, 7,5, 0,5)</small>	Work Packages worked on <small>(e.g. WP2; WP5)</small>	Date and signature of the person	Name, date and signature of the supervisor
January			Signature: Date:	Name: Signature: Date:
			Signature:	Name:



What is a day-equivalent?

- ✓ To be determined on the basis of a full-time equivalent worker

			Date:	Date:
December		Signature:	Name: Signature:	Date:
TOTAL			Date:	Date:



¹ 1 day = number of hours that a full-time employee of the participant has to work in a standard day (e.g. 8 hours).

- ✓ **The working time factor is NOT applied** *(only for the calculation of the maximum declarable day-equivalents)*
- ✓ A 'day-equivalent' determined on the basis of **3 possible elements**:
 - Fixed conversion-basis → **8 hours** = 1 day-equivalent
 - Average number of hours that a person must work per working day according to the **contract**
 - On the basis of the beneficiary's usual cost accounting practice determining the standard number of **annual productive hours**

Days-equivalents - Record keeping

Article 20 → draft annotations still work-in-progress



If you record the time worked in hours rather than in days ...

Conversion: hours to day-equivalents

{Number of hours worked by the person on the action during the reporting period

Divided by

number of hours of a day-equivalent}

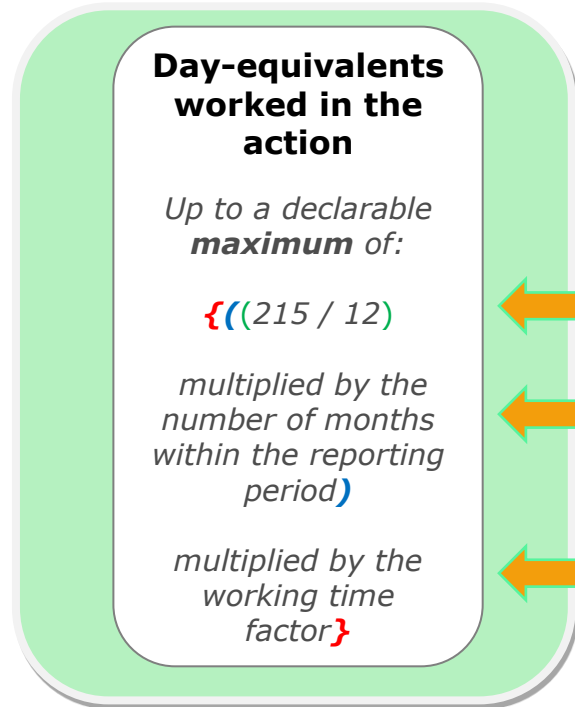
- 8 hours
- average number of hours that the person must work per day according to the contract:
 - **Full-time case:** contract 37,5 hours per week distributed in 5 working days, a day-equivalent for the person is 7,5 hours (37,5 / 5).
 - If the person was working 200 hours on the project → Conversion into day-equivalents = $200/7,5 = 26.66 \rightarrow 26.5$ day-equivalents
 - **Part-time case:** first, calculate the number of hours like if it was employed full-time:
 - If the person is employed 50 % and has to work 19 hours per week, if full-time → would have to work 38 hours per week (19 / 0,5); which divided by 5 working days would result in 7,6 hours per day-equivalent.
 - If the person was working 200 hours on the project → Conversion into day-equivalents = $200/7,6 = 26.3 \rightarrow 26$ day-equivalents
- if you have a usual cost accounting practice determining the standard number of annual productive hours of a full-time employee:

{**The higher** (the standard number of annual productive hours of a full-time employee **OR** 90 % of the standard annual workable hours of a full-time employee)

divided by

215}

Maximum declarable day-equivalents



Pro-rata of 215

during which the person is employed

1 for full-time
0,5 for 50% part-time etc.

Double capping:

✓ **Horizontal ceiling:** the actual number of day-equivalents declared accross EU and Euratom grants cannot be higher than **215 per calendar year**

✓ **Reporting period ceiling:** the number of days-equivalents to be declared is **capped at the maximum declarable day-equivalents per reporting period**

NEW!

How to calculate your maximum day-equivalents?

Example 1: standard case

In the reporting period from 01/01/2022 to 30/06/2022 (6 months):

Full-time case: The person is a full-time permanent employee hired in 2020. The maximum number of day-equivalents to be used in the daily rate formula would be: $((215 / 12) \times 6) \times 1$ (full-time) = 107,5

Part-time case: The person is a 50 % part-time permanent employee hired in 2020. The maximum number of day-equivalents to be used in the daily rate formula would be: $((215 / 12) \times 6) \times 0.5$ (for 50% part-time) = 54

New hire case: The person is a 50 % part-time employee hired on 1/06/2022. The maximum number of day-equivalents to be used in the daily rate formula would be: $((215 / 12) \times 1$ (only June 2022)) $\times 0.5 = 9$

How to calculate your maximum day-equivalents?

Example 2: change of condition



Calculate the maximum declarable day-equivalents separately for the months before and after the change and add them up afterwards

In the reporting period from 01/01/2022 to 31/03/2023 (15 months), you work full-time in 2022 and 50% part-time in 2023.

You calculate the maximum declarable day-equivalents separately for 2022 and 2023 (because conditions have changed)

12 months of full-time work: $((215 / 12) \times 12) \times 1.0 = 215$

3 months of part-time work: $((215 / 12) \times 3) \times 0.5 = 27$

Total: The maximum declarable day-equivalents for the reporting period are therefore: $215 + 27 = 242$

How to calculate your maximum day-equivalents?

Example 3: parental leave

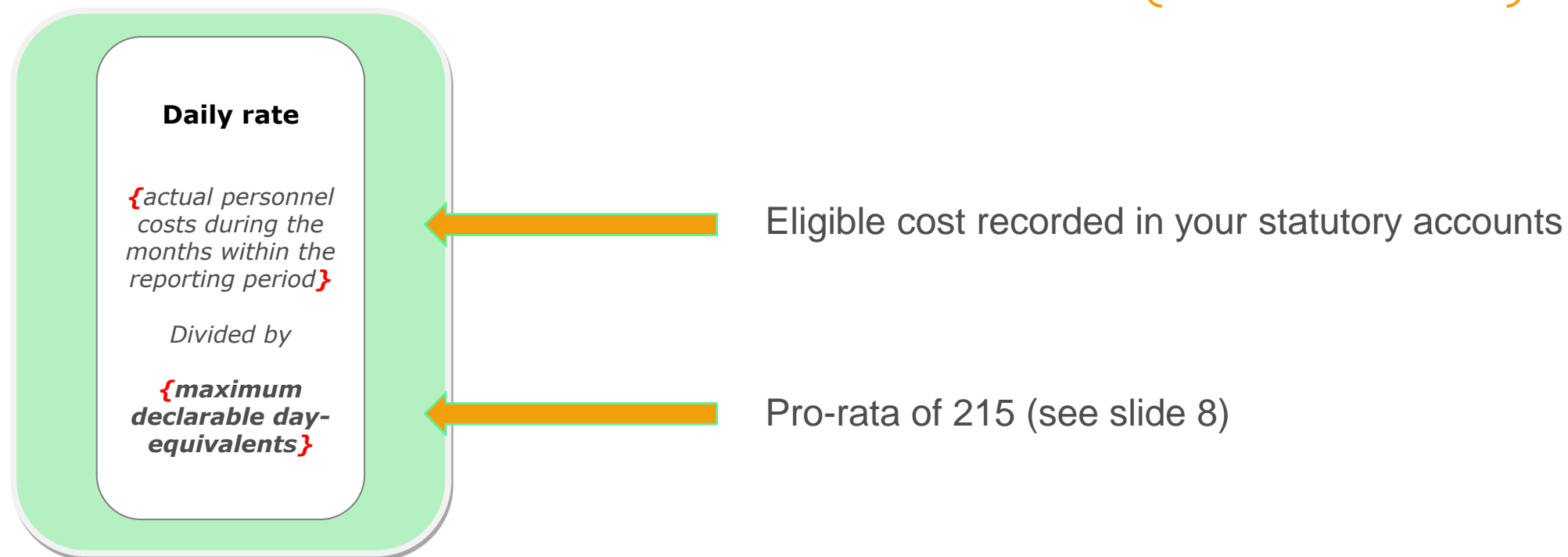
In the reporting period from 01/12/2021 to 31/01/2023 (14 months), a full-time employee takes **4 months of parental leave**:

1. Calculate day-equivalents: $((215/12) \times 4) \times 1 = 72$ days-equivalents
2. The maximum number of declarable day-equivalents for the reporting period is calculated as follows:
 $((215 / 12) \times 14 \text{ months}) \times 1$ (full-time) - 72 day-equivalents of parental leave = **179** maximum declarable day-equivalents for the reporting period.
3. Use this number (179) to calculate the daily rate → (actual personnel cost during the reporting period) divided by 179.

How to calculate your personnel costs for a given reporting period?

Daily rate

- ❖ *once per reporting period*
- ❖ *for each person*



How to calculate your personnel costs for a given reporting period?

Example 4: total personnel cost calculation

In the reporting period from 01/12/2021 to 31/05/2023 the person works full-time 100 days in the action during the **18 months**

Maximum declarable day-equivalents:

18 months period full-time $\rightarrow ((215 / 12) \times 18) \times 1 = \underline{322,5}$ maximum of declarable day-equivalents for the reporting period

Daily rate:

After taking into account all eligible elements (salary + social contribution + 13th salary + taxes etc.) you recorded in your accounts a total eligible cost of EUR 60 000
The daily rate for the person is calculated by dividing the personnel cost by the maximum declarable day equivalents $\rightarrow (75\ 000 / 322.5) = \text{EUR } \underline{186,04}$ daily rate.

Number of day-equivalents worked in the action: 100

Total personnel cost: { day-equivalents worked on the action **X** daily rate } 100 **X**
186,04 = **18 604**

Project-based remuneration at a glance

Category A.1

Case 2: Project-based remuneration



WHAT IS IT?

- ❖ Usual remuneration practices of a legal entity under which a **personnel receives supplementary payments for work in projects**

Example:

an employee who gets a bonus or a new contract with a higher salary level for working in a project



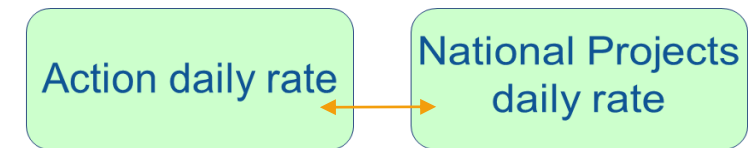
HOW MUCH CAN BE DECLARED?

- ❖ Actual remuneration costs paid by the legal entity for the time worked by the personnel in the action ('**action daily rate**') **up to** the remuneration that the person **would be paid for work in R&I projects funded by national schemes** (theoretical '**national projects daily rate**')
 - *Regulatory requirements*
 - *Internal rules*
- ❖ Defined :



METHODOLOGY?

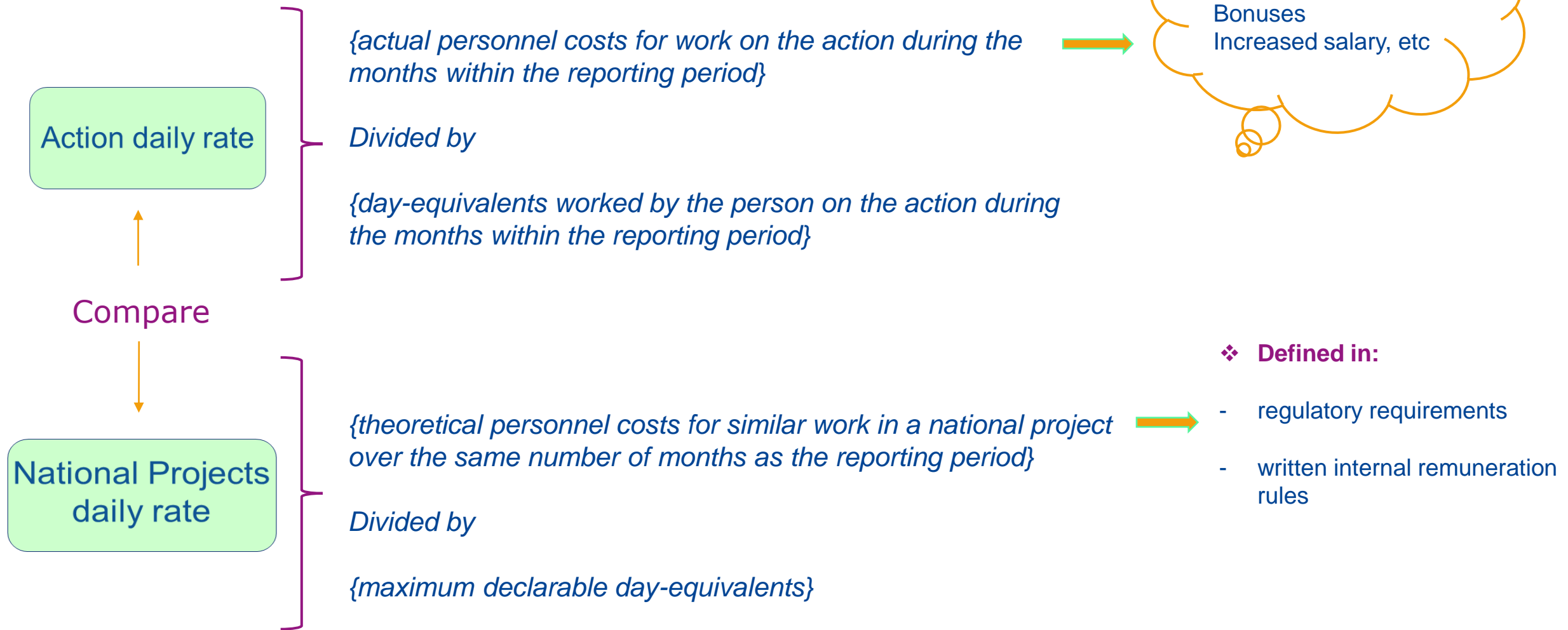
- ❖ **Compare**



- ❖ Take **the lower of the two.**

Category A.1

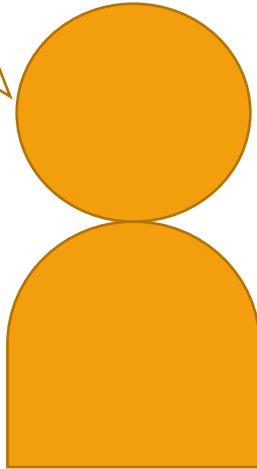
Case 2: Project-based remuneration



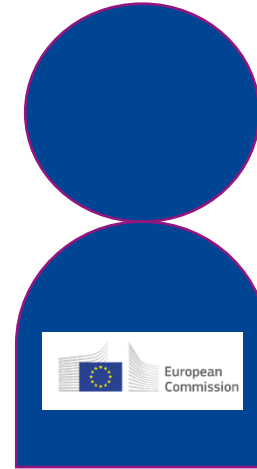
Category A.1

Case 2: Project-based remuneration

What if I have nothing in my national law/ internal rules?



Then you can make use of the so-called 'fall-back' option



Project-based remuneration – ‘fall-back’ option



Category A.1

Case 2: Project-based remuneration

Calculation of the ‘fall-back’
National projects daily rate



average of the remuneration that the person received in the last year for work in national projects:

{(total personnel costs of the person in the last complete year)
minus (remuneration paid for EU actions during that complete year)}

Divided by

{215 **minus** (days worked in EU actions during that complete year)}



❖ Compare

Action daily rate



if new hired → the national project daily rate is the one applicable to the employee whose base salary is the most similar to that person

Average personnel costs at a glance

Category A.1

Case 3: Unit costs




WHAT IS IT?

- ❖ Beneficiaries declaring personnel costs as **unit costs** in accordance with their usual cost accounting practices
- ❖ Only by beneficiaries **who consistently calculate average rates** as part of their cost accounting system



CALCULATION

- ❖ **Daily** rate **according** to **average rates** 
- **actual personnel costs recorded** in your accounts
- excluding:
 - any ineligible cost
 - costs already included in other categories



CONDITIONS

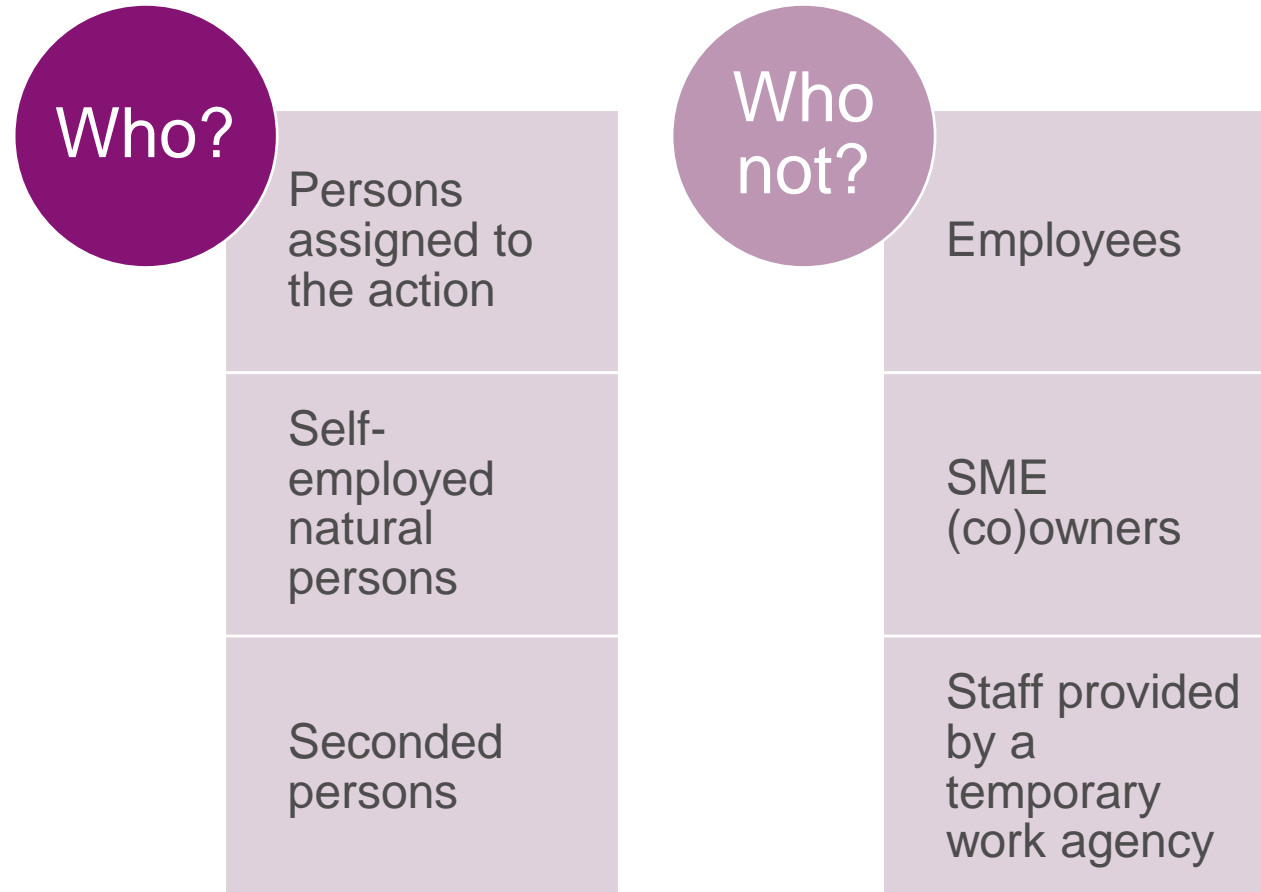
- ❖ **usual** cost accounting practices
- ❖ **objective** criteria
- ❖ **consistent** manner

〔 NOT ad-hoc basis 〕

CATEGORY A.2 'NATURAL PERSONS UNDER DIRECT CONTRACT' AND A.3 'SECONDED PERSONS'



Categories A.2 & A.3 'Natural persons under direct contract' and 'Seconded persons'



Personnel covered under category A.2

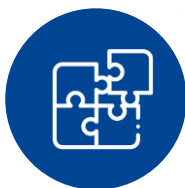


Self-employed persons working under a direct contract

- ❖ The person works under a direct contract that is **NOT** an employment contract (i.e. defined as such by national legislation)
- ❖ The person is hired under either:
 - ✓ A direct contract signed between the beneficiary/affiliated entity and the natural person (not through another legal entity)
(or)
 - ✓ A contract signed between the beneficiary/affiliated entity and a legal entity **fully owned** by the natural person, the natural person being the **only staff** hired by the entity
- ❖ *For example:* In-house consultants

NEW!

Personnel covered under category A.3



Persons seconded by a third party against payment

- ❖ **Secondment** means temporary transfer of an employee from a third party (the employer) to the beneficiary:
 - ✓ The seconded person is still paid and employed by the third party, but works for the beneficiary
 - ✓ The seconded person is at the disposal of the beneficiary and works under its control and instructions
 - ✓ The secondment normally requires the seconded person to work at the beneficiary's premises, although in specific cases it may be agreed otherwise in the secondment agreement
- ❖ The secondment is **against payment** (staff seconded free of charge are to be declared under others budget categories of Article 6.2.A.)
- ❖ The person is hired under a **secondment agreement with the employer of the natural person**
 - => **Best practice**: the secondment agreement should detail the conditions (i.e. tasks, payments, duration, location, etc.)
- ❖ Secondment of staff between beneficiaries/affiliated entities is allowed
- ❖ **For example**: Civil servant working as a professor in a public university

Specific cases under categories A.2 & A.3

Costs for students, PhDs and other researchers under scholarship, internship or similar agreements (not employees)

- ❖ These costs can be accepted, if the **agreement is work-oriented** (i.e. not training-oriented: not aimed at helping the student to acquire professional skills)
- ❖ PhD agreements are considered work-oriented; Time for training cannot be charged to the action

Fellowships/scholarships/stipends

- ❖ These costs can be charged to the action (as personnel costs), if they fulfil the **conditions set out in Articles 6.1 and 6.2.A.2**, and in particular:
 - ✓ the remuneration complies with the applicable national law on taxes, labour and social security
 - ✓ the assignment of tasks respects the laws in force in the country of the beneficiary
 - ✓ the students have the necessary qualifications to carry out the tasks allocated to them under the action

Cost for exemptions from academic fees

- ❖ The fees (or the fee exemption) are eligible as personnel cost, if the **student's contract includes the amount of waived fees as part of their remuneration**
- ❖ The other conditions set out in Article 6 have to be fulfilled as well (e.g. the full remuneration, included the value of the waived fees, must be recorded in the university's accounts).

Specific eligibility conditions under both categories A.2 & A.3



The costs must fulfil the general eligibility conditions (Art.6.1(a) HE MGA)



WORKING CONDITIONS

- ❖ The person must work under conditions similar to those of an employee

Similar conditions does not mean equal conditions
=> overall similar

Three elements:

- ✓ Organisation and supervision in a way similar to that of the beneficiary's employees
- ✓ Similar presence requirements as the employees
- ✓ Remuneration based on working time rather than on delivering specific outputs/products



RESULT OF THE WORK

- ❖ In principle, the result of the work carried out (including patents or copyright) belongs to the beneficiary
- ❖ If, exceptionnaly, the result of the work carried out belongs to the person, **the beneficiary must obtain the necessary rights from the person to be able to respect its obligations under the GA**

Eligible costs under categories A.2 & A.3

What?

Remuneration
Taxes

What not?

Costs significantly different from costs for employees performing similar tasks
Cost elements ineligible under the Grant Agreement (even if part of the amount stated in the contract)

Declared as actual costs

SPECIFIC CASES:

- ❖ Secondment of staff between beneficiaries/affiliated entities:
 - ✓ It is the beneficiary/affiliated entity who employs the person who has to declare its costs (NOT the beneficiary/affiliated to whom the person has been seconded)
- ❖ Persons seconded against payment from a third party located in a different country than the beneficiary:
 - ✓ actual costs paid for the secondment might be higher than those paid by the beneficiary for employees performing similar tasks => the actual costs paid for the secondment can be considered eligible, if the beneficiary can demonstrate that its usual practice is to pay for secondments at the level of the actual remuneration of the seconded person

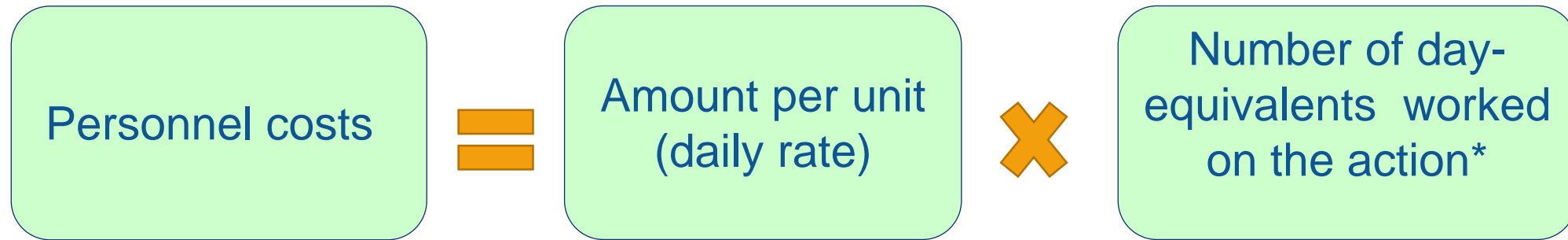
If the costs do not fulfill all the specific conditions

They may be eligible under other budget categories such as:

- Purchase of services (Article 6. 2. C.3): if the activities to be carried out under the contract are not part of the tasks of the action but are necessary to implement action tasks
(or)
- Subcontracting (Article 6.2.B): if the activities to be carried out under the contract by this person are part of the tasks of the action (Annex 1)

For example: a consultant autonomous to organise its work for the action

How to calculate your personnel costs for a given reporting period ?



- Reporting period ceiling: the number of days-equivalents to be declared is **capped at the maximum declarable day-equivalents per reporting period**

How to calculate the daily rate ?

The contract specifies

Calculation are as follows

Daily rate

- Daily rate = daily rate specified in the contract

Hourly rate

- Conversion of the hourly rate into a daily rate:
Daily rate = hourly rate x 8

Fixed amount for the work + number of days (or hours) to be worked

- Daily rate = global amount for the work / number days-equivalents to be worked
- (If needed, conversion of the hours to be worked into days=> hours / 8)

Fixed amount for the work *BUT* no number of days (or hours) to be worked

- Daily rate = global amount for the work / pro-rata of 215 annual day-equivalents corresponding to the duration of the contract over the reporting period

How to calculate the daily rate ?

Example: The contract states a fixed amount for the work, but does not specify the number of days (or hours) that must be worked

The contract is for 6 months (1 January 2021 to 30 June 2021). According to its time records, the person worked 60 day-equivalents in the action over that period. The contract sets a monthly payment of EUR 3 000 but does not explicitly establish the number of days/hours to be worked.

Personnel costs for the action = 60 (day-equivalents worked in the action) x **daily rate**

$$\begin{aligned}\text{Daily rate} &= \text{annual personnel costs} / \text{pro-rata of 215} \\ &= (3\,000 \text{ €} \times 6 \text{ months}) / (215 \times (6 \text{ months}/12 \text{ months})) \\ &= 18\,000 \text{ €} / (215 \times 0,5) \\ &= 18\,000 \text{ €} / 107,5 \text{ days} = 167,44 \text{ €/day}\end{aligned}$$

Personnel costs for the action = 60 x 167,44 = 10 046,4€.

Non-personnel costs



- If the daily rate calculated **for seconded persons** is higher than the daily rate actually paid by the third party to the seconded person => the cost could not be declared as personnel costs.
- Instead, they may be eligible instead as purchase of services (Article 6.2.C.3) or subcontracting (Article 6.2.B).
- The reason is that the payment made by the beneficiary to the third party would be higher than the actual remuneration of the person, which implies that a commercial margin or other non-personnel costs are charged by the third party to the beneficiary.

CATEGORY A.4 'SME OWNERS' AND 'NATURAL PERSON BENEFICIARIES'



Categories A.4 'SME owners' and 'Natural person beneficiaries'



Fulfil eligibility conditions set out in Article 6.1(b)

Declared as unit costs (Decision C(2020) 7115 and Annex 2a)

Who?

SME (co)owners not receiving a salary

Natural persons not receiving a salary

Who not?

SME (co)owners who receive a salary

Personnel covered under category A.4



(Co)owners of beneficiaries that are SMEs

- ❖ The beneficiary/affiliated entity is an SME
- ❖ The person who works on the action is **directly** owner or co-owner of the SME regardless its percentage of ownership i.e. the person is not an employee of the SME



=> SME owners whose work in the action for the SME is remunerated via:

- ✓ any type of non-employment contract (e.g. a service contracts)
- ✓ profit distribution
- ✓ any remuneration method other than a salary resulting from an employment contract

This category does not cover :

- ❑ the costs of the person who (co)-owns the SME through another company

Example: Paul is the owner of the SME (A) and John the owner of the SME (B). SMEs (A) and (B) are co-owners of the SME (C). The SME (C) participates in a HE action and the work is done by Paul and John. The SME (C) cannot declare the costs incurred for the work carried out by Paul and John under the category A.4

- ❑ the costs of SME (co)owners who receive a salary resulting from an employment contract and registered as such in the accounts of the SME, unless this salary corresponds exclusively to the management of the SME (i.e. not linked to the action)

Personnel covered under category A.4



Beneficiaries who are natural persons

- ❖ The beneficiary is a natural person, i.e. who signed the Grant Agreement on his/her own name as individuals, not on behalf of another legal person (e.g. a company)
N.B.: Difference between categories A.2 and A.4? Under category A.2, the natural person is not the beneficiary
- ❖ The natural person works on the action but does not receive a salary

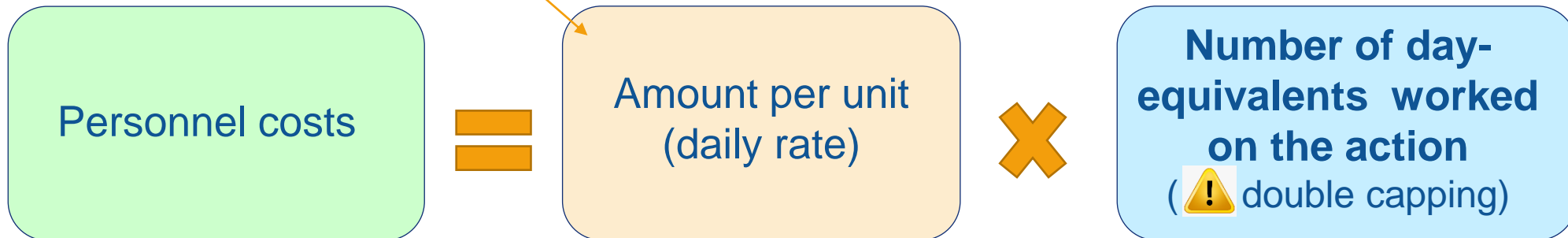
How to calculate the unit costs under category A.4 ?

automated calculation

Daily rate:



Personnel costs:



Double capping

- ✓ Horizontal ceiling: the actual number of day-equivalents declared across EU and Euratom grants cannot be higher than **215 per calendar year**
- ✓ Reporting period ceiling: the number of days-equivalents to be declared is **capped at the maximum declarable day-equivalents per reporting period**



Thank you!

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