

# CZECH FAQs CONCERNING THE CALCULATION OF ELIGIBLE PERSONNEL COSTS (HORIZON EUROPE)

January 2023

This document is a collection of frequently asked questions and answers on Horizon Europe financial issues concerning personnel costs discussed with the European Commission via e-mail or submitted to the Research Enquiry Service of the European Commission by the Technology Centre Prague on behalf of Czech beneficiaries in 2022. The document is intended to clarify problematic areas but is not legally binding. In some areas the interpretation of Horizon Europe rules might have changed in the course of time.

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#### Day-equivalent - compulsory template of time declaration

The **template** of the Time declaration provided on the FTOP is a **compulsory** template (it is not possible to create own layout of monthly declaration). Correct?

*E-mail communication – COM, DG RTD – H1, March 7, 2022*

The template accessible via a link in the pre-draft AGA and on the portal's reference document page is **indeed the template** to be used to declare the number of days spent for the action. If the use of this template raises an issue, please let us know the reason.

However, beneficiaries who have a **reliable time recording** system as part of their usual management practices may use it to support the number of days charged to Horizon Europe grants. In that case, they would not fill in the Time declaration.

#### Day-equivalents - possibility to modify the time declaration

I have an additional question. In terms of documenting personnel costs in Horizon Europe projects - would it be acceptable if the monthly declaration on days spent for the action were kept for the entire reporting periods (rather than per calendar year)? The provided template is per calendar year, nonetheless, I understand that the **beneficiaries can modify the template** to fit their needs as well.

*Case 101000462695, May 10, 2022*

According to Article 20.1 (e) of the Horizon Europe Model Grant Agreement (HE MGA), for the recording of personnel costs, time worked for the beneficiary under the action must be supported by declarations signed monthly by the person and their supervisor, unless another reliable time-record system is in place.

Therefore, in cases that the reporting period is different than the calendar year, **the Beneficiaries can adapt the monthly declaration template in order to include all the months of the same reporting period.**

#### Day-equivalents - reliable time recording

I have an additional question concerning Horizon Europe and day equivalents. Beneficiaries who have reliable time recording system may use it to support the number of days charged to HE grants (i.e. they do not need to fill in the Time declaration). **What is meant by the “reliable time recording”?**

- Are there any minimum requirements for timesheets (see H2020) or is it enough that timesheets are “dated and signed at least monthly by the person working for the action and their supervisor”?
- The usual practice of many Czech beneficiaries is to use different timesheets for different grant providers (depending on their minimal requirements). Can specific timesheets used only for HE/H2020 be considered “reliable” (i.e. in other projects different/ no timesheets are used) or Time declaration has to be used in such case? In other words, does the same template of the timesheet have to be used consistently both in H2020/HE projects and non-EU projects or not?

*Case 160627, May 13, 2022*

We understand that your question relates to the requirements that needs to be fulfilled for time rules (i.e. applying to different EU programmes using the corporate MGA). In that respect, current draft annotations related to record-keeping as set out in Article 20 of the pre-draft AGA (page 119) are still subject to a review and clarification process from Commission services. Therefore, the below explanations reflect the current state-of-play.

Based on this, we would like to recall that, under Horizon Europe rules, the time worked under the action must be supported by a monthly declaration on days worked on the project (corporate template provided in the AGA, please see below), unless another reliable time-record system is in place. It is expected that the beneficiary applies the same choice at least per group of personnel employed under similar conditions.

In reply to your first question, the annotations to Article 20 clarify that **reliable time records need to include 1) the hours worked on the action, and at least monthly, 2) the date and the signature by the person working for the action and 3) the date and the signature of their supervisor.** If the time recording system is computer-based, the signatures may be electronic.

Although no specific template for time-sheets is provided by Horizon Europe programme (unlike under H2020), in order to provide a proper link between the hours worked and to the person working for the action and their supervisor, **it is expected that time records should indicate the information that are required in the template for the monthly declaration of time (e.g. project number, acronym, etc.).**

In reply to your second question, **there is no requirement to use the same template of timesheet consistently in H2020/HE projects and non-EU projects.**

### Day-equivalents – separate time declaration for separate projects

Is it expected that in Horizon Europe each personnel will have a separate Time declaration for work in each Horizon Europe project? If one personnel has two Horizon Europe projects, two Time declarations have to be filled in by the personnel (considering different months/duration of the reporting period) or one is sufficient (it is up to the decision of the beneficiary)?

*E-mail communication – COM, DG RTD – H1, January 13, 2023*

The template made available on the Funding and Tender Opportunities Portal is **designed to be filled in per project**. If a beneficiary adapts it to cover different EU projects, this would be under its responsibility.

### Day-equivalents – time records or declaration – option chosen applied consistently

For persons who work for the action the beneficiary may either use reliable time records (i.e. time-sheets) or sign a monthly declaration. The **option chosen must be applied consistently** (using the same option at least per group of personnel employed under similar conditions -e.g. same type of contract, same cost-centre). Consistently mean “at the level of the project” not “at the level of the beneficiary”, i.e. employees in one HE project of the beneficiary can use timesheets and employees of the same beneficiary in different HE project can use declarations. Logically the relevant period for which the consistency is checked is the reporting period of relevant HE project (not the calendar year). Correct?

*E-mail communication – COM, DG RTD – H1, March 7, 2022*

*Article 20 GA provides that the time worked under the action must be supported by declarations, unless another reliable time-record system is in place.*

*If the beneficiary does not have a reliable time-record system, it will have to systematically use declarations. Differently, if the beneficiary has a reliable time-record system, it does not need to fill in the time declarations. **If it decides, nonetheless, to run both systems in parallel** (keeping its usual time-records - i.e. timesheets - and time declarations), please keep in mind that in case of **discrepancy** only the set of documents recording the lower amount of days will be accepted.*

*The Commission services are working on updated annotations in the Annotated Model Grant Agreement (including for Article 20). Therefore, the below explanations reflect preliminary views and do not prejudge any final position of the Commission and thus may be subject to change.*

*It is expected that the beneficiary applies the same choice at least per group of personnel employed under similar conditions (e.g. same staff category, same type of contract, etc.). **Mixed use of different records, if not sufficiently justified, as well as significant discrepancies may be seen as affecting the reliability of the records.***

### Maximum declarable day-equivalents – period of the employment at the beneficiary

(215/12) is multiplied by the number of months during which the person is employed. “**Employed**” is meant as “**period of the employment of the personnel at the beneficiary**” during the reporting period, not “period of working at the action” (example 1: reporting period 01/06/2022 – 31/05/2023,

existing employee of the beneficiary, Mr. XY working on the project in 01/01/2023 – 31/05/2023 → maximum declarable day-equivalents =  $215/12 \times 12$ ; example 2: the same reporting period, but Mr. XY is hired by the beneficiary on 01/01/2023 to work on the project → maximum declarable day-equivalents =  $215/12 \times 5$ ). Correct?

*E-mail communication – COM, DG RTD – H1, March 7, 2022*

The number of maximum declarable day-equivalents takes into consideration **the length of employment of the person during the reporting period**; if the period of employment of the person by the beneficiary is only 5 months during the reporting period,  $(215/12)$  is multiplied by 5 for the calculation of the maximum declarable day-equivalents. This ensures proportion with the actual personnel costs recorded in the accounts.

Besides, the time worked on the action is reflected via the number of recorded day-equivalents actually worked on the action (the declared number of day-equivalents is in any case capped at the maximum declarable day-equivalents). Moreover, the number of day-equivalents declared, for example in the monthly time declarations, must be compatible with national labour law and the employment contract.

#### **Rounding to the nearest half-day - rounding**

Number of 5,25 should be rounded as 5,5. Correct?

*E-mail communication – COM, DG RTD – H1, March 7, 2022*

If it happens that the number of days is **xx,25 or xx,75**, the number could be rounded to the nearest **half day above** (5,5 in your example).

I have an additional question. Number xx,747 should be rounded as xx,5. Correct?

*E-mail communication – COM, DG RTD – H1, January 13, 2023*

Yes, that is correct.

#### **Rounding to the nearest half-day - only the sum of the day-equivalents**

Days recorded in the monthly declaration (template of the Time declaration) do not need to be rounded to the nearest half day (it can be e.g. two decimal places), **only the sum of the day-equivalents for the whole reporting period** used to calculate the personnel costs have to be rounded to the nearest half-day.

*E-mail communication – COM, DG RTD – H1, March 7, 2022*

**Correct, only the overall number for the whole reporting period must be rounded** to the nearest half day.

I have an additional question. Days recorded in the monthly declaration do not need to be rounded to the nearest half day, only the overall number for the whole reporting period must be rounded. What about the **sum of the day-equivalents for the whole calendar year used to calculate the Horizontal ceiling**? We assume this sum has to be rounded to the nearest half day, too. Correct?

*E-mail communication – COM, DG RTD – H1, January 13, 2023*

Neither the number of days recorded in the monthly declaration **nor the sum of the day-equivalents for the whole calendar year** must be rounded to the nearest half day.

#### **Rounding to the nearest half-day - only for final figure of maximum declarable day-equivalents**

Rounding is necessary to be performed **only for final figure of maximum declarable day-equivalents**, not for identifying pro-rata figures for different parts of the reporting period, i.e. correct calculation is  $((215/12) \times 10) + (((215/12) \times 8) \times 0,5)) = 179,167 + 71,667 = 250,834 = 251$  (not rounding of both additions:  $179,0 + 71,5 = 250,5$ ).

*E-mail communication – COM, DG RTD – H1, March 7, 2022*

Similarly to the above answer, the **rounding of day-equivalents concerns only the overall number for the whole reporting period**. The beneficiary should not round numbers covering shorter time spans than the reporting period or add up figures already rounded to obtain the number per reporting period.

#### **Horizontal ceiling – calculation and difference from reporting period ceiling**

Horizontal ceiling has to be calculated separately **per each calendar year** (not per reporting period).  
Correct?

*E-mail communication – COM, DG RTD – H1, March 7, 2022*

**Correct**, to avoid double-funding of personnel cost, the actual number of day-equivalents declared across EU and Euratom grants cannot be higher than 215 per calendar year (horizontal ceiling).

In addition, the number of days-equivalents to be declared is capped at the maximum declarable day-equivalents per reporting period.

I have an additional question concerning Horizon Europe and “Horizontal ceiling” and “Reporting period ceiling”.

1. Is our understanding of these two terms described below correct?

The **Horizontal ceiling** has to be considered per each personnel per each calendar year and all EU and Euratom grants have to be taken into account (i.e. the actual number of day-equivalents declared across EU and Euratom grants cannot be higher than 215 per calendar year)

The **Reporting period ceiling** has to be considered per each personnel per reporting period and only the relevant Horizon Europe grant is taken into account (i.e. the number of days-equivalents to be declared in certain Horizon Europe project is capped at the maximum declarable day-equivalents per reporting period).

2. Considering the Reporting period ceiling, are the two examples described below correct?

Horizon Europe project with 2 reporting periods (RP): 1RP (1/1/2022 – 30/6/2023), 2RP (1/7/2023 – 31/12/2024). Employee working full time on the Horizon Europe project for the whole duration of the action.

- Example 1: Day-equivalents worked in the action according to the Time declaration:
    - 1/1/2022 – 31/12/2022: 215
    - 1/1/2023 – 30/6/2023: 107,5
    - maximum declarable day-equivalents for RP1 =  $215/12 * 18 = 322,5$  (which equals  $215 + 107,5$  and is therefore correct)
    - 1/7/2023 – 31/12/2023: 107,5
    - 1/1/2024 – 31/12/2024: 215
  - Example 2: Day-equivalents worked in the action according to the Time declaration:
    - 1/1/2022 – 31/12/2022: 215
    - 1/1/2023 – 30/6/2023: 115
    - maximum declarable day-equivalents for RP1 =  $215/12 * 18 = 322,5$  ( $215 + 115$  equals  $330$  which is higher than maximum, therefore for the calculation of eligible personnel costs, only  $322,5$  can be used)
    - 1/7/2023 – 31/12/2023: 100
    - 1/1/2024 – 31/12/2024: 215
3. If it was H2020 in example 2, it would be possible to use number  $330$  (resp. relevant number of hours) to calculate eligible personnel costs, correct?

*Case 160867, May 23, 2022*

On your **first question**, under Horizon Europe rules, the definition of ‘horizontal ceiling’ given in your inquiry is correct. Indeed, this capping is aimed at avoiding double funding of personnel costs and is to be complied with across EU and Euratom grants of a given calendar year.

As regards, the second ‘reporting period ceiling’, this represents the maximum declarable day-equivalents for a given individual for a given reporting period (i.e. with a corresponding start date and end date). In that respect, compliance with this ceiling is to be applied intrinsically for each given Horizon Europe grant concerned.

Regarding your **second question**, we would like to recall that the Research Enquiry Service provides general guidance only but cannot comment or validate the specificities of a particular case.

Based on the information that you provided in your **Example 1**, for both the 18-months reporting periods (RP1 and RP2), for a person working full-time during the action, the maximum declarable day equivalents must be calculated as follows:  $((215 / 12) \times 18) \times 1 = 322,5$

Therefore, the calculations applied to this Example are **correct** and, in your case, the value of  $322,5$  maximum declarable day equivalents must be applied to both RP1 and RP2.

However, the calculations presented in your **Example 2** are not very clear to us.

More particularly, we do not understand what you refer to when you state that ‘ $215 + 215$  equals  $300$ ’. We think there must some errors/typos there.

In your **RP1**, the sum of declarable day equivalents are actually  $215+115= 330$ , which is higher than  $322,5$ , which represents the maximum declarable day equivalents within this particular reporting period. Therefore, **the total number of declarable day equivalents worked in the action must be capped at  $322,5$  for RP1** (as described in the Example 1 above) and all the day equivalents over this value must be excluded from the personnel costs calculation.

In your **RP2**, the sum of declarable day equivalents ( $100 + 215 = 315$ ) within this reporting period is lower than 322,5. In this case, **315 day equivalents may be used to calculate the personnel costs in the action for the RP2.**

Regarding your **third question**, please note that the two formulas under H2020 and under Horizon Europe are not really comparable as they are based on different methodologies with different time basis, i.e.:

**Under Horizon Europe**, and based on the two examples that you provided, **215 represents the “horizontal ceiling”**: the total number of day-equivalents declared in all EU grants, for a person and for a full financial year (please see page 33 of the pre-draft AGA). **322,5 represents the “reporting period ceiling”**: this value corresponds to the maximum of declarable day-equivalents for the whole duration of both RP1 and RP2 (18 months each with the employee working full time in the HE action, in the case you describe) and must be used to determine the daily rate per person and per action.

**Under H2020**, where the calculation of personnel costs is based in hours worked on the action (and not in day equivalents), the ceiling corresponds to the **total number of hours declared in EU or Euratom grants, for a person for a full financial year**, which cannot be higher than the annual productive hours used to determine the hourly rate.

#### Horizontal ceiling – pro-rata calculation of 215

The number of **215 has to be calculated-pro rata** only in case of part-time employment of the personnel at the beneficiary and in case of employment of the personnel at the beneficiary for only part of the calendar year (neither the duration of the reporting period in the relevant calendar year is relevant, nor the period of work of the personnel in the action during the relevant year is relevant; full-time or part time work of the personnel on the action is not relevant, either).

*E-mail communication – COM, DG RTD – H1, March 7, 2022*

The horizontal ceiling for the number of day-equivalents that can be declared across EU and Euratom grants per calendar year is 215, or the corresponding pro-rata by multiplying 215 by the working time factor. The pro-rata takes into consideration:

- **the length of the employment** when the employee has not worked the full year for the beneficiary; and
- **part time work**, i.e. if the employee’s contract precisely states (or allows to determine) a precise percentage of a full time equivalent (FTE) covered by such contract.

I have an additional question concerning Horizon Europe and personnel costs - horizontal ceiling of 215 and pro-rata calculation. Pro-rata calculation takes into the consideration part time work (e.g. 0,5 FTE). **Is pro rata-rata calculation relevant also for e.g. 1,2 FTE** (if allowed by national legislation)?

*Case 242842, July 1, 2022*

In the specific case where an employee would represent **more than 1 Full-Time Equivalent (FTE)**, and provided this is in compliance with the applicable national labour legislation, **this can be reflected** in the corresponding pro-rata calculation for both:

1. the maximum declarable day-equivalent in the daily rate calculation and



2. the horizontal capping of 215 per calendar year.

### Horizontal ceiling and reporting period ceiling – project-based remuneration

In Horizon Europe for calculation of eligible personnel costs **double capping has to be reflected**:

- 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

Are both of these ceilings **applicable also to the project-based remuneration or not**? In case of positive reply, which way (please explain more how action daily rate and national project daily rate and affected)?

*Case 199587, July 1, 2022*

**The horizontal ceiling does not apply to project-based remuneration**, due to the very specific nature of it, i.e.: here, the whole calculation exercise is to actually isolate the project-based remuneration paid for the time spent on a given HE project, but not considering the whole working time of a given individual.

For the second **ceiling over the reporting period**: As per the action daily rate formula for project-based remuneration, this ceiling is logically **set at the number of 'day-equivalents worked by the person on the action during the months within the reporting period'**. Otherwise, you would declare more project-based remuneration costs than actually incurred. For the national project daily rate, this is irrelevant as this rate is to be solely determined for comparative purpose with the action daily rate.

### Standard/corporate case (Case 1A) - half-year bonus

Variable complements (bonuses) can be included if “paid based on objective conditions (see footnote 3) set out at least in the internal rules of the beneficiary and paid in a consistent manner”. Many Czech beneficiaries pay to the employees **a half-year bonus and a bonus at the end of the year**. The entitlement to these bonuses is based on an internal payroll regulation of the beneficiary (even if there is no explicit amount) and mostly paid in a consistent way with a reference to the evaluation form of the employee that specifies the particular amount (who got it, when, how much and for what). These bonuses are charged proportionally to all sources (EU, national, structural, internal) based on the activities of the employee. These bonuses have been fully accepted as eligible part of personnel costs when calculating eligible personnel costs (not project based remuneration) under H2020. Considering above mentioned, these bonuses can be considered as fulfilling the objective conditions under Horizon Europe Rules (see footnote 3). Correct?

*E-mail communication – COM, DG RTD – H1, March 7, 2022*

We cannot establish the eligibility of specific bonuses on the basis of the information provided in your question. The requirement for objective conditions set out at least in the beneficiary’s internal rules refer to criteria of **attribution that are not subject to arbitrary / discretionary decisions** and which allow to determine the allocation of the bonus. The internal payroll regulation can be

considered as internal rules. However, the beneficiary must be able to demonstrate that these rules establish conditions that enable to **determine how the bonus will be allocated**. Moreover the bonus must be paid **in a consistent manner**.

#### Standard/corporate case (Case 1A) – more contracts

**All personnel costs and days** relevant for the employee in the reporting period should be taken into account **regardless of the type of the contract and activities** (i.e. in case the employee has at the same time an employment contract for work in the HE action and an Agreement to perform work for teaching, both have to be taken into account to calculate the daily rate). Correct?

*E-mail communication – COM, DG RTD – H1, March 7, 2022*

We understand that you are referring to cases where the person **does not receive different remuneration** for work in specific projects compared with the remuneration s/he receives for other activities, and that the contract covering work for the HE action is NOT triggered by the participation in the HE action.

The below explanations reflect preliminary views and the envisaged approach for Horizon Europe as well as other EU programmes:

If a person is **employed with more than one employment contract** with the beneficiary (parallel or consecutive) during the reporting period, the beneficiary calculates a **single daily rate**. The actual personnel costs are the sum of the costs of all these contracts during the months within the reporting period. The maximum declarable day-equivalents is the sum of the maximum declarable day-equivalents calculated individually for each of these contracts during the months within the reporting period.

If the person works **under several direct contracts falling under Article 6.2.A.2 MGA** (costs for natural persons with a direct contract with the beneficiary) **or works under different types of contracts with the beneficiary** (for instance one employment contract and another contract falling under Article 6.2.A.2 MGA), **only the contract(s)** under which the person is working on the action will be taken into consideration for the calculation of the personnel costs, and there will be **no calculation of a single daily rate**.

I have an additional question. In your reply above you refer to the situation where the person **does not receive different** remuneration. However, in our question we are referring to the situation when the person **do receive different** remuneration. What will the situation in this situation look like?

*See Case Case ID: 224807, June 14, 2022*

*COM REMARK: In our reply to Case ID 224807, please note that we addressed the cases where 1) the remuneration received under the direct contract is higher than that under the employment contract or 2) where the remuneration received under the direct contract is lower than that under the employment contract.*

## Project-based remuneration (Case 1B) – period for assessment

Assessment whether to apply 1B or not must be done over the whole reporting period (e.g. an employee gets a bonus anytime in the relevant reporting period), not separately for each calendar year. Correct?

*E-mail communication – COM, DG RTD – H1, March 7, 2022*

As the basis for calculating and reporting personnel costs would be the reporting period duration, **logically the ‘classification’** of the remuneration type of a given individual (i.e. non project-based or project-based) would have to be assessed **over a whole reporting period**.

## Project-based remuneration (Case 1B) – situations considered 1B

Following **situations are considered 1B case**:

- Employee is paid **extra bonus/merit pay** for participating in a specific project (EU, structural or national) charged only to specific provider's resources (e.g. only to HE),

*E-mail communication – COM, DG RTD – H1, March 7, 2022*

Project-based remuneration refers to cases where level of remuneration (daily rate, hourly rate) of a given individual increases when and because this individual **works in projects** (i.e. **any kind of project e.g. EU, national or other**).

Yet, project-based remuneration (**unless fall-back option**) must be paid in a consistent manner, i.e. not just for actions supported by EU grants. So, if employees receive only project-based remuneration for Horizon Europe actions, this will not be an eligible project-based remuneration scheme and the corresponding project-based remuneration received by the employee could not be charged to a Horizon Europe action.

*E-mail communication – COM, DG RTD – H1, January 13, 2023*

The reference in the parenthesis to **‘unless fall-back option’** may be misleading. In all cases (including when using the so-called ‘fall-back’ option), a beneficiary must demonstrate that its **usual practice is to pay bonuses for work in national projects**.

- Researcher has an employment contract and an Agreement to perform work (at the same time) - s/he works in a **HE action under the Agreement to perform work at a higher** hourly rate than in the employment contract

*E-mail communication – COM, DG RTD – H1, March 7, 2022*

**Correct**, if the issuance of the **‘Agreement to perform work’** is triggered by the researcher’s participation in a given HE action and he/she gets a **higher** (hourly or daily) rate than in his/her employment contract.

- Employee has a salary statement where **the hourly rate of a specific project (EU, structural or national) is higher** than hourly rate of other activities of the employee under the same employment contract

*E-mail communication – COM, DG RTD – H1, March 7, 2022*

**Correct**, but in any case the daily rate to be used for the HE grant financial statements cannot be higher than the so-called 'national project daily rate'.

### **Project-based remuneration (Case 1B) – situations NOT considered 1B**

Is it correct that following **situations** are considered **1A case**?

- Employee is paid **half-year bonus/merit pay charged proportionally** to all sources

*E-mail communication – COM, DG RTD – H1, March 7, 2022*

**Correct**, if the bonus/merit pay is not triggered by the participation to projects and if by 'charged proportionally to all sources' you actually refer to the fact that the personnel costs (including this bonus/merit pay) will be charged according to the actual time spent on a given action (at least for what regards Horizon Europe for actual costs-based grants). **Please note that the bonus must be paid based on objective condition as explained in an answer above.**

- Researcher has an employment contract and an Agreement to perform work with different hourly rate (at the same time) - s/he works in an HE action under the employment contract and the **Agreement to perform work is used to other not-project related activities** (e.g. review, translations, teaching – the hourly rate under the Agreement to perform work is irrelevant).

*E-mail communication – COM, DG RTD – H1, March 7, 2022*

We understand that the person has an employment contract that has not been specifically triggered by his/her participation in projects. Please see the reply above on calculations under 1A when there are several contracts.

*See also Case replying to the additional question - ID: 224807, June 14, 2022*

- Researcher has an employment contract and an Agreement to perform work with different hourly rate (they are not at the same time, they are **consecutive**)

*E-mail communication – COM, DG RTD – H1, March 7, 2022*

We understand that you are referring to cases where the person does not receive different remuneration for work in specific projects compared with the remuneration s/he receives for other activities, and that the contract covering work for the HE action is NOT triggered by the participation in the HE action. Please see the reply above on calculations under 1A when there are several contracts.

I have additional questions. Below are more situations that can occur at our beneficiaries. Please, confirm to us that our understandings below are correct:

- If the person works **at the same time** (i.e. parallel) under **EMPLOYMENT CONTRACT** (national projects and teaching) and under **DIRECT CONTRACT** (Article 6.2.A.2 MGA; direct contract is **triggered** by the researcher's participation in a given HE action and he/she gets a **HIGHER** (hourly or daily) rate than in his/her employment contract), the beneficiary calculates project-based remuneration (1B) and the project reference rate equals the rate defined (resulting

from) the direct contract. National reference rate is calculated based on the HE rules and formulas.

- If the person works **at the same time** (i.e. parallel) under **EMPLOYMENT CONTRACT** (national projects and teaching) and under **DIRECT CONTRACT** (Article 6.2.A.2 MGA; direct contract is **triggered** by the researcher's participation in a given HE action and he/she gets a **LOWER** (hourly or daily) rate than in his/her employment contract), the beneficiary calculates standard case (1A) and only the direct contract under which the person is working on the HE action will be taken into consideration for the calculation of the personnel costs, i.e. the daily rate equals the rate defined (resulting from) the direct contract (there will be no calculation of a single daily rate summing up costs of both the employment contract and direct contract).
- If the person is employed **at the same time** (i.e. parallel) with **two EMPLOYMENT CONTRACTS** (EC1: research activities including HE action and EC2: other activities, e.g. **teaching with LOWER** (hourly or daily) rate), the beneficiary calculates standard case (1A) and calculates a single daily rate. The actual personnel costs are the sum of the costs of all these contracts during the months within the reporting period. The maximum declarable day-equivalents is the sum of the maximum declarable day-equivalents calculated individually for each of these contracts during the months within the reporting period.
- If the person works **at the same time** (i.e. parallel) under **two DIRECT CONTRACTS with DIFFERENT** (hourly or daily) rate (Article 6.2.A.2 MGA; DC1 is triggered by the researcher's participation in a given HE action and DC2 is for other researcher's activities than HE action), the beneficiary calculates standard case (1A) and only the direct contract 1 under which the person is working on the HE action will be taken into consideration for the calculation of the personnel costs (there will be no calculation of a single daily rate summing up costs of both the contracts).
- If the person is employed with **two EMPLOYMENT CONTRACTS** with the beneficiary with **DIFFERENT** (hourly or daily) rate (but **consecutive**, not parallel) during the reporting period (none of the employment contracts is triggered by the researcher's participation in a given HE action), the beneficiary calculates standard case (1A) a single daily rate.
- If the person works under **two DIRECT CONTRACTS with DIFFERENT** (hourly or daily) rate (but **consecutive**, not parallel) (Article 6.2.A.2 MGA; DC1 is triggered by the researcher's participation in a given HE action and DC2 is for other researcher's activities than HE action), the beneficiary calculates standard case (1A) and only the direct contract 1 under which the person is working on the HE action will be taken into consideration for the calculation of the personnel costs (there will be no calculation of a single daily rate summing up costs of both the contracts).
- If the person works **consecutive** (not parallel) under **EMPLOYMENT CONTRACT** (HE action and other activities) and under **DIRECT CONTRACT** (Article 6.2.A.2 MGA; **other** researcher's activities than HE action and he/she gets a **DIFFERENT** (hourly or daily) rate (higher or lower) than in his/her employment contract), the beneficiary calculates standard case (1A) and only the employment contract under which the person is working on the HE action will be taken into consideration for the calculation of the personnel costs (there will be no calculation of a single daily rate summing up costs of both the employment contract and direct contract).
- If the person works **consecutive** (not parallel) under **EMPLOYMENT CONTRACT** (HE action and other activities) and later on only under **DIRECT CONTRACT** (Article 6.2.A.2 MGA; direct contract is only for the researcher's participation in a given **HE action** and he/she gets a **DIFFERENT** (hourly or daily) rate (higher or lower) than in his/her employment contract), the beneficiary calculates standard case (1A) and both contracts under which the person is working on the HE action will be taken into consideration and single daily rate will be calculated.

- If the person works **at the same time** (i.e. parallel) under **EMPLOYMENT CONTRACT** (HE action and other activities) and under **DIRECT CONTRACT** (Article 6.2.A.2 MGA; other researcher's activities **than HE action** and he/she gets a **DIFFERENT** (hourly or daily) rate (higher or lower) than in his/her employment contract), the beneficiary calculates standard case (1A) and only the employment contract under which the person is working on the HE action will be taken into consideration for the calculation of the personnel costs (there will be no calculation of a single daily rate summing up costs of both the employment contract and direct contract). We have three concrete examples here
  - A professor with employment contract (HE action and other activities, full time, 550,- CZK/hr), direct contract 1 (teaching, 4 hours a week, 300,- CZK/hr) and direct contract 2 (leadership, 4 hours a week, 700,- CZK/hr) at the same time → the beneficiary calculates standard case (1A) and only the employment contract will be taken into consideration
  - A postdoc with employment contract (HE action and other activities, full time, 400,- CZK/hr), direct contract 1 (review of thesis, 20 hours in total, 500,- CZK/hr), direct contract 2 (translations, 240 hours in total, 250,- CZK/hr) at the same time → the beneficiary calculates standard case (1A) and only the employment contract under which the person is working on the HE action will be taken into consideration
  - A postdoc with employment contract (HE action and other activities, full time, 400,- CZK/hr) and direct contract (national project, 4 hours a week, 300,- CZK/hr) at the same time → the beneficiary calculates standard case (1A) and only the employment contract will be taken into consideration

*Case 224807, June 14, 2022*

The below explanations reflect preliminary views and envisaged approach for Horizon Europe. However, rules regarding declaration of personnel costs for individuals hired through several contracts over the reporting periods stem from so-called 'corporate rules', i.e. rules that will be used across different EU programmes and must be applied consistently. In that respect, the below explanations do not prejudice any final position of the Commission and thus **may be subject to changes**.

As a preliminary remark, we wish to underline that in order to be considered eligible, the costs must fulfil all the general and specific eligibility conditions set out in Articles 6.1(a) and 6.2.A.1 or 6.2.A.2 of the Horizon Europe Model Grant Agreement (HE MGA). In particular, they must **comply with the applicable national labour law as regards the possibility of issuing several (types of) contracts**.

Moreover, project-based remuneration regards employees (i.e. persons working for the beneficiary on the basis of an employment contract or equivalent appointing act) whose remuneration increases for working in projects. Therefore, these elements must be taken altogether in consideration when assessing specific cases of individual with several (parallel or consecutive) contracts. In that respect:

1. If an individual has **an employment contract** falling under Article 6.2.A.1 of the HE MGA and, **in parallel, a direct contract** falling under Article 6.2.A.2 of the HE MGA under which the given individual is actually **performing the work under HE**, one of the two following possibilities will apply:

a. The remuneration received under the direct contract is **higher** than that under the employment contract, the way the daily rate will have to be calculated will follow the **project-based remuneration** rules laid down in Article 6.2.A.1 of the HE MGA, i.e. the daily rate determined based

on Article 6.2.A.2 of the HE MGA will be compared to the national project daily rate as defined under Article 6.2.A.1 of the HE MGA;

b. The remuneration received under the direct contract is **lower** than that under the employment contract, the daily rate will have to be calculated on the basis of the **direct contract only** and following standard rules detailed under Article 6.2.A.2. of the HE MGA.

2. If an individual is employed with **two (or more) employment contracts** with the beneficiary **during the reporting period**, but **none of them is triggered by his/her participation in the HE action with an increased salary**: the beneficiary will calculate a **single** daily rate. The actual personnel costs will be the sum of the costs of all these employment contracts during the months within the reporting period. The maximum declarable day-equivalents will be the sum of the maximum declarable day-equivalents calculated individually for each of these employment contracts during the months within the reporting period.

3. If an individual has **two (or more) direct contracts** with a beneficiary falling under Article 6.2.A.2 of the HE MGA, **whether parallel or consecutive**, and no employment contract, the beneficiary will take into account only the costs stemming from the **relevant contract** under which the given individual is actually performing the work in the HE project. This will not be considered as project-based remuneration and the daily-rate will have to be calculated following the standard rules detailed under Article 6.2.A.2. of the HE MGA.

Eventually, to avoid circumventing the above rules with artificially increased remuneration, please note that **if an individual worked for the beneficiary, resigned, and subsequently signed a new (employment or direct) contract with the beneficiary to work on the EU action for a higher salary, the rules for project-based remuneration will still apply.**

Thank you for this clear reply. This reply covers most situations mentioned in our question, but not all. Could you please also provide additional reply to the following situations:

- See RES no 224807: If the person works at the same time (i.e. parallel) under EMPLOYMENT CONTRACT (HE action and other activities) and under DIRECT CONTRACT (Article 6.2.A.2 MGA; **other researcher's activities than HE action** and he/she gets a DIFFERENT (hourly or daily) rate (higher or lower) than in his/her employment contract), the beneficiary calculates standard case (1A) and only the employment contract under which the person is working on the HE action will be taken into consideration for the calculation of the personnel costs (there will be no calculation of a single daily rate summing up costs of both the employment contract and direct contract).

*E-mail communication – COM, DG RTD – H1, January 13, 2023*

If the work on the HE action is performed under the existing employment contract without any increase in the remuneration of the person, the beneficiary will calculate the personnel costs according to the so-called '**standard case 1A**' described in the AGA, **only based on the employment contract.**

- See RES no 225002 (3): If the person works **consecutive (not parallel)** under EMPLOYMENT CONTRACT (HE action and other activities) and under DIRECT CONTRACT (Article 6.2.A.2 MGA; other researcher's activities than HE action and he/she gets a DIFFERENT (hourly or daily) rate (higher or lower) than in his/her employment contract), the beneficiary calculates standard case (1A) and only the employment contract under which the person is working on the HE action will be taken into consideration for the calculation of the personnel costs (there will be

no calculation of a single daily rate summing up costs of both the employment contract and direct contract).

*E-mail communication – COM, DG RTD – H1, January 13, 2023*

If the work on the HE action was performed under the previous employment contract without any increase in the remuneration of the person, the beneficiary will calculate the personnel costs according to the so-called '**standard case 1A**' described in the AGA, **only based on the previous employment contract**.

- See RES no 225002 (4): If the person works **consecutive (not parallel)** under EMPLOYMENT CONTRACT (HE action and other activities) and later on only under DIRECT CONTRACT (Article 6.2.A.2 MGA; direct contract is only for the researcher's participation in a given HE action and he/she gets a DIFFERENT (hourly or daily) rate (higher or lower) than in his/her employment contract), the beneficiary calculates standard case (1A) and both contracts under which the person is working on the HE action will be taken into consideration and single daily rate will be calculated.

*E-mail communication – COM, DG RTD – H1, January 13, 2023*

It would have to be clarified if, in such situation, the end of the employment contract and the issuance of the direct contract have been done **in view of getting a higher salary to work on the HE project**:

- If it is the case, and as explained in our previous helpdesk reply (for the case 224807, June 14, 2022), **the project-based remuneration** rules will apply.

- If not the case, or if the persons gets a lower remuneration as compared to the one under his/her previous employment contract, this will not fall under the project-based remuneration rules. There will be **no calculation of a single daily rate** for both contracts. The way the daily rate will have to be calculated following the '**standard**' rules for 6.2.A.1 or 6.2.A.2 respectively.

#### **Project-based remuneration (Case 1B) – national daily rate (fall-back option) – objective condition**

When calculating national daily rate (fall-back option) total personnel costs of the person can be included (i.e. all bonuses/personnel costs, **even if not based on objective conditions**)

*E-mail communication – COM, DG RTD – H1, March 7, 2022*

**Correct**, the 'fall-back option' formula encompasses the total personnel costs, including possibly bonuses not based on objective conditions but removing any remuneration paid for work in EU actions.

#### **Project-based remuneration (Case 1B) – national daily rate (fall-back option) – all costs**

When calculating national daily rate (fall-back option) - "**Total personnel costs**" have to include all personnel costs of the relevant employee in the relevant year (regardless of the type of activities and type of contracts, i.e. all employment contracts and Agreements to perform work have to be taken into account)



*E-mail communication – COM, DG RTD – H1, March 7, 2022*

**Correct.**

#### **Project-based remuneration (Case 1B) – national daily rate (fall-back option) – last complete year**

When calculating national daily rate (fall-back option) “**last complete year**” is taken into account (last complete year before the end of the reporting period, e.g. calendar, financial or fiscal year depending on the beneficiary’s usual cost accounting practice) – in case the financial year of the beneficiary equals the calendar year, the calendar year is taken (e.g. for reporting period 01/06/2022 – 31/05/2023, the period of 01/01/2022 – 31/12/2022) ; in case the financial year of the beneficiary does not equal the calendar year, the period of financial year has to be taken into account.

*E-mail communication – COM, DG RTD – H1, March 7, 2022*

The reference to ‘last complete year’ without further precision was made on purpose, so as to **offer the possibility to beneficiaries to follow their usual accounting practices** (e.g. use of calendar year; or financial year; or fiscal year data). If, in your example, the beneficiary’s usual practices is to rely on full complete financial year data, then indeed the example would be correct (i.e. the 2022 year will be the period of reference for the calculation).

#### **Project-based remuneration (Case 1B) – national daily rate (fall-back option) – new employee**

When calculating national daily rate (fall-back option) - If the person is a **new employee** hired in the reporting period, their national project daily rate is the “one applicable to the employee whose base salary is the most similar to the person’s” - this seems impossible to implement consistently and with legal certainty. **The approach from H2020 should be used**, i.e. if the new employee is not exclusively working on the action, the national daily rate will be calculated from the actual year and in case the new employee is working exclusively on the action the situation will not be considered project-based (see Case ID: 101000488105).

*E-mail communication – COM, DG RTD – H1, March 7, 2022*

Should you become aware of real-life examples for which the HE approach would not be suitable at all, and/or if this particular issue would actually raise wider concerns amongst the NCPs within their network exchanges and discussions, please let us know.

I have an additional question concerning eligible personnel costs in Horizon Europe, project-based remuneration and calculation of national project daily rate (fall back option) for NEW EMPLOYEE hired in the reporting period. The necessity to “calculate the national project daily rate according to the formula applicable to the employee whose base salary (salary without bonuses) is the most similar to the person’s “ is mandatory **only for the new employee working EXCLUSIVELY on the HE project or even for a new employee not working exclusively** on the HE project in the reporting period?

Could you provide us an explanation/calculation for the following two real life examples, please?

- 1st example: an employee hired on the 01/12/2022, reporting period 01/01/2022 – 30/6/2023, monthly salary 3 000 EUR, employee gets a project bonus of 1 000 EUR in June 2023.
  - Situation A: Full-time employment at the beneficiary, exclusively on HE project
  - Situation B: Full-time employment at the beneficiary, 30 % dedication to the HE project
- 2nd example: an employee hired on the 01/12/2022, reporting period 01/01/2022 – 30/6/2023, monthly salary 3 000 EUR (employment contract) + parallel direct contract for work on the HE project (Article 6.2.A.2 MGA) with hourly rate of 30 EUR/hr (01/12/2022 – 30/6/2023).

Thank you for the clarification of this issue in HE.

In H2020 we use the following approach: if the new employee is not exclusively working on the action, the national daily rate will be calculated from the actual year and in case the new employee is working exclusively on the action the situation will not be considered project-based (see Case ID: 101000488105).

*Case 199832, June 3, 2022*

As a preliminary remark, project-based remuneration can be used only for employees whose level of remuneration increases when the person works in (EU, national or other) projects. Therefore, the key element is that the remuneration of an individual increases for working in projects. **If a new employee is hired to work exclusively in a HE action, it is not expected that the person has different remuneration levels** depending on whether s/he works in specific projects or not, as it will presumably receive a fixed remuneration for its tasks solely in the HE project. Therefore, **in principle it would not qualify for project-based remuneration.**

Secondly, with regard to use of the so-called ‘fall-back’ option, please be reminded that it can be used only if there are no regulatory requirements and the beneficiary does not have internal rules defining objective conditions on which the national project daily rate can be determined, but it can demonstrate that its usual practice is to pay bonuses for work in national projects. In that case, the national project daily rate results from the average of the remuneration that the person received in the last complete year for work in national projects. However **if the person is a new employee hired in the reporting period and therefore, there is no remuneration for the previous year to make such average, their national project daily rate is the one applicable to the employee whose base salary** (salary without bonuses) is **the most similar to that person’s** and it must be calculated according to the following formula:

*{{total personnel costs of the similar employee in the last complete year} minus {remuneration paid to that similar employee for EU actions during that complete year}}*

*Divided by*

*{215 minus {days the similar employee worked in EU actions during that complete year}}*

Thirdly, concerning the examples in your query, as the figures relate to the new employee and not to the employee whose base salary is the most similar to that person, we cannot elaborate further on them. In this regard, please kindly note that the Research Enquiry Service is not in a position to assess (series) of specific cases and/or (real-life) examples and make all corresponding calculation validations but can only provide general guidance regarding the correctness and appropriateness of

the methodology, based on the information provided (which may be numerical if this is a helpful illustration of a general issue).

Finally, please be reminded that if an entity actually has internal remuneration rules for setting the level/amount of project-based bonuses (for instance, written internal rules defining that an employee will receive a project bonus of 1 000 EUR in June 2023 for his/her time spent on the HE project over his/her working time that month) this entity must follow its internal rules and cannot make use of the so-called 'fall-back' option.

I have three additional questions:

1. To make it fully clear, the calculation of national reference rate (fall-back option) of new employee not exclusively working on the action is being **differently handled in H2020 and in HE**. In H2020 the national reference rate is calculated from the actual year and in HE it is the one applicable to the employee whose base salary is the most similar to the person's. Correct?

*E-mail communication – COM, DG RTD – H1, January 13, 2023*

Yes, this is correct.

2. The **choice of the most similar person is up to the beneficiary**. In case it is properly documented and explained by the beneficiary, neither the EC nor the auditors will dispute the choice. Correct?

*E-mail communication – COM, DG RTD – H1, January 13, 2023*

The choice would have to be indeed properly documented and explained in case of audit. Audit procedures for Horizon Europe are still work-in-progress, so we cannot provide more information at this stage. But, as general preliminary remark, the choice would have not only to be **documented and explained** but foremost **appropriate and justified** (i.e. the employee chosen is indeed the one whose base salary (salary without bonuses) is the most similar to the concerned individual).

3. How to proceed **when beneficiary finds it difficult to find a similar person**? We have just encountered a case of one Czech small institute of the Academy of Sciences, which currently has one H2020 ERC grant, one HE ERC grant, one HE ERA Chair and submitting 3 more HE ERC proposals. With respect to these EU grants, they want to recruit a large number of postdocs from abroad. To attract their attention, they have to offer to them competitive salary which is higher than the salary of existing Czech postdocs. How to proceed in such cases?

*E-mail communication – COM, DG RTD – H1, January 13, 2023*

As first remark, it is certainly recommended, as best practices, to develop internal written rules based on objective criteria for issuing project-based remuneration. This allows for more transparency and awareness raising amongst the staff (or future staff to be recruited). In this respect, the recourse to the so-called 'fall-back option' should be seen as rather the exception.

As you pointed out in one of your previous questions above, the choice of an employee whose base salary is maybe not similar but could still be considered as the '**most similar**' would have to be documented, explained and justified. This is a case-by-case assessment depending on the factual situation of the beneficiary in terms of staff.

Case 2166766, November 15, 2022

I have a follow up question to the case 199832 concerning Horizon Europe, project-based remuneration (fall-back option) and a new employee hired in the reporting period. In case there are already data available for the last complete year for such personnel, these data can be used (not the similar employee). Correct? To make it fully clear, let's use an example of reporting period 01/06/2022 – 31/12/2023:

- Personnel A hired on 01/08/2022 – data of the personnel A from the year 2023 must be used
- Personnel B hired on 1/2/2023 – data of similar employee from the year 2023 must be used

*Case 2166766, November 25, 2022*

We understand from your question that you wish to know whether, when making use of the so-called 'fall-back option' for project-based remuneration of a new employee, if there is available data on the remuneration that such person received in the last complete year, this data can be used to calculate their national project daily rate.

As stated in our previous reply to case 199832, please be reminded that:

- project-based remuneration can be used only for employees whose level of remuneration increases depending on whether they work in projects and ;

- as a general rule, if a new employee is hired to work exclusively in a HE action, it is not expected that the person receives different remuneration levels depending on whether s/he works in specific projects or not, as it will presumably receive a fixed remuneration for its tasks solely in the HE project. Therefore, in principle it would not qualify for project-based remuneration.

That being said, our reply here below is based on the assumption that the remuneration is project-based.

In this regard, if the person is a new employee hired during the reporting period, in many cases there is no data on the remuneration the person received in the previous year, and their national project daily rate would be the one applicable to the employee whose base salary (salary without bonuses) is the most similar to that person's.

Nevertheless, in the situation where there is indeed financial data available allowing to calculate the average of the remuneration that the person received in the last complete year, that data could be used to calculate their national project daily rate.

Taking this into account, **the examples provided in your query would seem to be correct.**

Finally, we would like to insist that the 'fall-back option' can be used only if there are no regulatory requirements and the beneficiary does not have internal rules defining objective conditions on which the national project daily rate can be determined, but it can demonstrate that its usual practice is to pay bonuses for work in national projects.

In view of the recurrent questions of similar nature, developing regulatory requirements or written internal rules setting out the level of project-based remuneration could facilitate the calculation of project-based remuneration, and generally contribute to legal certainty and transparency.

## Project-based remuneration (Case 1B) – national daily rate (fall-back option) – EU actions

When calculating national daily rate (fall-back option) - “**EU actions**” (EU grants) are meant all directly managed programmes, not grants funded by the EU budget but received through the national institutions (e.g. the European Structural and Investment Funds should not be considered as an EU action).

*E-mail communication – COM, DG RTD – H1, March 7, 2022*

As clarified in the AGA V0.2 published on 30 November 2021 (page 40), ‘EU actions’ are: ‘EU grants’ as defined in the Grant Agreement (i.e. awarded by EU institutions, bodies, offices or agencies, including EU executive agencies, EU regulatory agencies, EDA, joint undertakings). Hence, they may cover EU programmes (or parts of them) under both direct and indirect management but they exclude those under shared management.

I have a question concerning explanation of the term „**EU actions/grants**“ in Horizon Europe for the purpose of the calculation of Horizontal Ceiling and National Reference Rate (project-based remuneration fall back option). Is the definition for these two purposes different or the same? **Does it include ESIF or not?**

1. **In H2020** according to the RES 101000305977 (see the text below) it seems that for the purpose of the double ceiling **ESIF projects are considered**. We assume that the same principle/definition is being used in Horizon Europe for **Horizontal ceiling** and for this purpose ESIF projects **must be included**. Correct?

*“EU and Euratom grants” means all EU and Euratom grants, including all H2020 actions, all FP7 projects and any other EU and Euratom grants. Please note also that certain grants awarded by the Member States are in fact financed by the EU budget, for instance via the European Structural and Investment Funds. Therefore, even if the funding is received through the national institutions, the grant is funded by the EU budget. Therefore, **they are also taken into consideration into the calculation of the total number of hours.**”*

2. According to our communication with the COM (see the text below) it seems that for the purpose of the calculation of **National Reference Rate** (project-based remuneration fall back option) **ESIF projects are not considered**. Correct?

*“As clarified in the AGA V0.2 published on 30 November 2021 (page 40), ‘EU actions’ are: ‘EU grants’ as defined in the Grant Agreement (i.e. awarded by EU institutions, bodies, offices or agencies, including EU executive agencies, EU regulatory agencies, EDA, joint undertakings). Hence, they may cover EU programmes (or parts of them) under both direct and indirect management **but they exclude those under shared management.**”*

*E-mail communication – COM, DG RTD – H1, January 13, 2023*

As explained in the AGA (see page 40 of the version 0.2 of 30 November 2021), ‘EU actions’ are ‘EU grants’ as defined in the Grant Agreement (i.e. awarded by EU institutions, bodies, offices or agencies, including EU executive agencies, EU regulatory agencies, EDA, joint undertakings).

In that respect, **ESIF** (i.e. structural funds under shared-management and awarded by national/regional authorities) **are excluded from this ‘EU actions/EU grants’ definition**, for both purposes under Horizon Europe, i.e.:

- compliance with the so-called ‘horizontal ceiling’ and

- use of the so-called ‘fall-back option’ formula for calculating the national project reference.

Please note that in practice **the same line is now applied to check the double ceiling under H2020**, i.e. national projects co-financed by the EU budget are not taken into consideration.

#### **Project-based remuneration (Case 1B) – national daily rate (fall-back option) – representativity**

The **representativity** issue known from H2020 is still valid in HE (see Case ID: 101000462869 and Case ID: 101000773129) - the national project reference should only be based on the average remuneration of the employee in the previous year if the available remuneration to calculate an average can be representative; representativity is assessed on a case-by-case basis; the remuneration in the previous year has to be considered as “package; when assessing the representativity, arguments of the duration, tasks and working time of contracts are advised to be used”.

*E-mail communication – COM, DG RTD – H1, March 7, 2022*

The issue of ‘representativity’, especially for very particular or even extreme case so to say, would entail a case-by-case approach. Should you become aware of real-life case(s) for which the notion of ‘representativity’ might be at stake, you could send them to the CLSS Head of Unit, with relevant supporting documents, for seeking possible advice.

#### **Project-based remuneration (Case 1B) – two different Horizon Europe projects**

Is it possible for one person to have a different daily rate in different Horizon Europe projects?

*E-mail communication – COM, DG RTD – H1, January 13, 2023*

Yes, this could happen, for instance if the project-based remuneration is calculated based on several objective criteria (like the leading role of the individual in a project, its seniority at the moment of the start of project etc.).

#### **Reported costs vs costs recorded in the accounts of the beneficiary**

The mandatory formula may lead to minor/temporary differences in the personnel costs recorded in the accounts. Those differences have no impact on the eligibility of the costs, provided that the formula has been correctly applied. However, **at the time of closing the reporting period** an internal accounting transfer needs to be done, so **the amount of personnel costs reported (declared) to the EC is in accordance with the amount of personnel costs recorded in the accounts of the beneficiary.**

*E-mail communication – COM, DG RTD – H1, March 7, 2022*

With a calculation basis aligned on the reporting period duration and use of the personnel costs as recorded in the beneficiary’s statutory accounts in accordance with its usual cost accounting practice to calculate the daily rates, this should reduce the cases of temporary differences with the personnel costs recorded in the accounts. But, there should be no issue if the formulas for personnel costs are

applied correctly and that both the maximum declarable day-equivalents ceiling in a given HE action reporting period and the 'horizontal' ceiling of 215 day-equivalents (as maximum to be declared in EU grants, for a person for a year) are complied with.

### Natural persons with direct contract (A.2) - definition

Even though there are some small changes in the wording of AGA in HE compared to H2020 (See AGA H2020: „What? This budget category covers typically the costs of in-house consultants and similar persons (i.e. self-employed natural persons)...“ vs AGA HE: What? This budget category covers the costs of: self-employed natural persons (e.g. some types of in-house consultants)... What not? Cost of persons who are employees of the beneficiary“), **the understanding of A.2 is still the same and Czech Agreements to Complete a Job and Agreements to Perform Work are considered A.2 not A.1** - even though according to the Czech legislation these in-house consultants are employees, not self-employed natural persons, and do not sign employment contract but Agreement (See our email communication also attached - From: Reinhard.SCHULTE@ec.europa.eu, Sent: Thursday, January 24, 2019 5:31 PM, To: Chvojkova Lenka TC chvojkova@tc.cz, Subject: RE: Ares(2019)157996 - Reply : Czech personnel costs – Agreements)

*E-mail communication – COM, DG RTD – H1, March 7, 2022*

As in H2020, the specific conditions of Article 6.2.A.2 HE MGA to be complied with are, by nature, to be assessed on a case-by-case basis.

### Natural persons with direct contract (A.2) - rounding

To calculate the eligible personnel costs the “number of day equivalents worked on the action” **do not need to be rounded to the nearest half-day** (e.g. contract specifies a daily rate of 380 CZK/hr and 25 number of hours to be worked, 9500 CZK was paid to the personnel; eligible personnel costs =  $380 \times 8 \times (25/8) = 380 \times 8 \times 3,125 = 9500$  CZK, not  $380 \times 8 \times 3,0 = 9\ 120$  CZK)

*E-mail communication – COM, DG RTD – H1, March 7, 2022*

As for the case of employees, the actual time spent on the action by the person hired under a direct contract will have to be properly recorded. In this respect, and where relevant, the same **rounding rules will have to be applied**. In that respect, the second calculation in your example would be the correct one.

Parallel question asked by Slovak NCP: I have a question about the A.2 Costs of natural persons (NP) working under a direct contract calculation. NP has a contract stating (s)he can work 10 hours per week, and the contract defines an hourly rate of 30 EUR. NP worked 75 weeks within the reporting period of 18 months which equals 750 hours worked. According to AGA (page 44), the daily rate for cases where no daily rate is defined equals  $30 \times 8 = 240$  EUR. Day equivalents =  $750/8 = 93.75$ , rounded up to 94 days. **Costs declared to project in financial statement=  $94 \times 240 = 22\ 560$  EUR. Real costs are  $22\ 500$  EUR ( $750 \times 30$ ). Which amount is correct, 22 560 or 22 500? And why?**

*Case 1800086, March 17, 2022*

The contribution of the Horizon Europe grant to the personnel costs is determined by applying the eligibility conditions and mandatory formulas as defined in the Horizon Europe General Grant Agreement.

As explained in the Annotated Grant Agreement (AGA) under the Article 6.2.A.2 (see p. 43-44, available at [https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/common/guidance/aga\\_en.pdf](https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/common/guidance/aga_en.pdf)), costs of natural persons working under a direct contract must be calculated as follows:

*{amount per unit (daily rate)}*

*Multiplied by*

*{number of day-equivalents worked on the action}*

According to the information you provided, the contract of the natural person defines an hourly rate. On this aspect, the AGA precises (p.44) that if the contract fixes an hourly rate instead of a daily rate, the hourly rate must be converted into a daily rate (i.e. daily rate = hourly rate x8), which would indeed be in the situation you describe  $30 \times 8 = 240$ .

Concerning the denominator of the formula above, please note that it refers to the number of days-equivalents worked on the action. We understand that the time worked on the action by the natural person, supported by timesheets according to Article 20 of the HE MGA, would be 750 hours over the reporting period (18 months). The total hours worked on the action must be converted into 'days-equivalents'. The number of day-equivalent could be obtained by dividing the total number of hours worked on the action by 8 (i.e. 8 hours), which would give  $750/8 = 93.75$ . Please kindly note that the current draft AGA annotations under Article 20 are still work-in-progress, therefore the latter indication reflects the current state-of-play and may be subject to further clarifications and changes following the on-going review process amongst Commission Services.

Please note besides that you must also pay attention to the maximum declarable day-equivalents for the person per reporting period. On the basis of 93.75 day-equivalents rounded up to 94, **the costs to be declared for this person would be  $94 \times 240 = 22560$ .**

**The difference between the amounts, i.e. between the amount obtained according to the formula and the actual personnel costs recorded in the accounting system is attributable to the rounding.**

I have a follow-up question to the RES 1800086. According to the Commission reply, the costs to be declared is 22 560 EUR. However, it seems to us not possible. Costs to be eligible have to fulfill also general eligibility criteria, e.g. "actually incurred by the beneficiary" and "recorded in the beneficiary's accounts". In the situation described above only the amount of 22 500 EUR is actually incurred and recorded in the accounts. Therefore, could you please confirm again what is the correct amount to be declared in financial statement?

*E-mail communication – COM, DG RTD – H1, January 13, 2023*

We are still discussing this specific issue with other Commission services responsible for the corporate provisions interpretation and cannot unfortunately be yet conclusive.



## Natural persons with direct contract (A.2) - taxes and insurance

If the contract specifies the hourly rate which does not include all taxes and insurance actually paid by the beneficiary, those compulsory cost of the beneficiary can be included in the amount of eligible personnel costs, too (e.g. 380 x 1,338).

*E-mail communication – COM, DG RTD – H1, March 7, 2022*

It is not clear to us from which element the '1,338' factor stems, in your example. As a general rule, all mandatory contributions (such as social security) which are mandatory under national law may be included in the calculation of the daily rate.

..

## Natural persons with direct contract (A.2) - Horizontal ceiling

**Horizontal ceiling** is relevant only in case the contract states a fixed amount for the work but does not specify the number of days (3<sup>rd</sup> case). In the first two cases it is impossible to calculate it (limitation for hours worked results directly from the contract).

*E-mail communication – COM, DG RTD – H1, March 7, 2022*

No horizontal ceiling rules apply to the case of persons hired under a direct contract.

## Seconded persons (A.3) – H2020 and HE differences

**Are there any differences concerning the calculation of eligible costs of seconded persons in H2020 and HE?**

According to the H2020 AGA: “Costs for persons seconded by a third party may be **declared ONLY as actual costs**. There is no specific calculation method; the costs must correspond to the price paid by the beneficiary — up to the costs actually incurred by the third party (see Article 11.1). For the calculation of the upper limit (i.e. the third party’s actual costs), the same calculation rules apply as in point 1.1.4.”.

According to the HE AGA: “Costs of seconded persons against payment must be calculated as follows: {amount per unit (daily rate)} Multiplied by {number of day-equivalents worked on the action}. The daily rate must be calculated as follows: – if the **contract specifies a daily rate: this daily rate must be used** ... For seconded persons, if the resulting daily rate is higher than the daily rate actually paid by the third party to the seconded person (applying the calculation rules of the Grant Agreement) the cost could NOT be declared as personnel costs. They may be eligible instead as purchase of services (see Article 6.2.C.3) or subcontracting (see 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.”

According to our understanding, in H2020 to identify eligible amount of cost, actual personnel costs of seconded personnel must be calculated (the same formulas as for employees). Is it the same for Horizon Europe or not? Are there any differences? Is it sufficient in Horizon Europe to take the rate specified in the contract (a secondment agreement with the employer of the natural person) without doing any calculations of real costs? Or is it necessary to do to calculations of actual personnel costs

(the same formulas as for the employees) to identify eligible amount of personnel costs plus include extra cost in the secondment agreement which will be considered as eligible in other cost categories?

*E-mail communication – COM, DG RTD – H1, January 13, 2023*

In Horizon Europe, as explained in the AGA (see yellow box page 44 of the version 0.2 of 30 November 2021): **if the resulting daily rate is higher than the daily rate actually paid** by the third party to the seconded person (applying the calculation rules of the Grant Agreement) the cost could **NOT be declared as personnel costs**.

They may be eligible instead as purchase of services (see Article 6.2.C.3) or subcontracting (see 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.

In this respect, **it is not sufficient to take into account only the daily rate specified in the secondment contract (if any)**.

## **Audits**

Only remark/advice: It is very difficult to fill in Annex III to the Letter of Announcement for the purposes of project-based remuneration (changes to the Excel sheet have to be made to include the calculation of national reference rate and project reference rate). We hope this will not be the case for Horizont Europe audits.

*E-mail communication – COM, DG RTD – H1, January 13, 2023*

Thank you for your feedback. We will draw the attention of the relevant Commission services involved in the preparation of future audit-related documents.