

COMMUNICATION CAMPAIGN - HORIZON 2020 FINANCIAL RULES

WARSAW, 13.10.2015

QUESTIONS PROVIDED BY THE PARTICIPANTS

GENERAL QUESTIONS		
1	If the SME owner not receiving a salary live in England, but the company is established in Poland, which country coefficient rate we should apply?	
2	In the case of participation by natural persons conducting business activity, who are not legally required to keep full accounting records, is cost statement in the form of an Excel file sufficient in the situation of audit? Do the costs have to be presented as an extract from a revenue and expenditure ledger and broken down by category?	
3	Is it possible that civil law partnership (spółka cywilna) participates in a project as a beneficiary? If not, is it possible that one of the partners can be a beneficiary and the second partner can be a linked third party? <i>Spółka cywilna does not have a legal personality. It's a civil law contract between two or more self employed persons.</i>	
4	Could you please clarify what are the rules on using an EU emblem according to the H2020 regulations. Is it necessary to put the EU emblem together with information of EU financial support when: a) we produce pencils with logo of our project b) we work in a building (is it necessary to place information on the front door, that the project is being realized here) c)we print a publication about our project d)we want to fill in the patent application e)we bought the laptop from the projects funds	
ELIGIBILITY OF COSTS		
5	In the case of a financial lease regarding a fixed asset which was originally funded by a project participant out of project funds and is being repaid through lease instalments, is depreciation a cost? Polish regulations allow for a one-off depreciation in the amount of 50.000 EUR for	

	<p>taxpayers whose annual revenues do not exceed 1.200.000 EUR. (Personal Income Tax Act. art.22k pt7). The company fulfils these conditions.</p> <p>Can we charge this depreciation amount in the project during the first year? In 2015, it would be an equivalent of 209.000 PLN.</p> <p>The following year we would use the declining balance method, (art.22k pt.1) and, if requirements were met, the straight-line method.</p> <p>Is such an approach correct?</p>	
6	<p>Using the straight-line method, we found a specific depreciation rate in the depreciation table and would like to increase it by a factor of 2 based on Art. 22i. pt. 2 sub-pt. 3 relating to machines subject to rapid technical progress; may we use this ratio for the purposes of the project?</p>	
7	<p>Is the part of the equipment repair costs eligible for funding?</p> <p>Example: Equipment used for different projects implementation including Horizon 2020 project suddenly has crashed. Is the cost of the repair of such instrument in proportion to the 'working time' for the Horizon 2020 project eligible as the direct cost? (the percentage of actual use and time used for the project).</p>	
8	<p>Is the part of the equipment yearly maintenance eligible for funding in proportion to the 'working time' ?</p> <p>Example: we use equipment not exclusively for the Horizon 2020 action. The 'working time' for each project is recorded. Equipment is subject to yearly maintenance which cost approx. 10 k € / year. Is the part of the equipment maintenance cost (the percentage of actual use and time used) an eligible direct cost?</p>	
9	<p>Can I calculate cost of dinner during project meeting as eligible cost?</p>	
10	<p>I understand that according to H2020 rules contracts for organization of the rooms and catering for a meeting/conference belong to „other costs” not subcontracting. Could you confirm please.</p>	
11	<p>All projects above 325.000 EUR are required to undergo an audit.</p> <p>When does this audit have to be conducted? What is the earliest and latest it can start? Where can the scope of the work to be performed by the auditor be found?</p>	
12	<p>Please clarify the issue of the exchange rate for a given reporting period, e.g.</p> <ul style="list-style-type: none"> • For remuneration, when the payroll is drawn up on the last day of each 	

	<p>month while the payments are made by the 10th day of the following month. What day should be the exchange date?</p> <ul style="list-style-type: none"> In the case of business trips, is the exchange rate date defined as the business trip settlement date? E.g. a business trip took place 01-05.09 and is settled on 09.09 <p>For VAT invoices, is the exchange rate date the invoice date?</p>	
ELIGIBILITY OF COSTS - PERSONNEL		
13	<p>Could you please elaborate on civil law contracts in the H2020. In Poland we use “umowa o dzieło”(agreement which is result based), umowa zlecenie (agreement of due diligence) and kontrakt (other contracts). As far as we’re concerned by definition umowa o dzieło can be used only as a subcontracting. What are the rules for umowa zlecenie and kontrakt that must be fulfilled, to declare them as personnel cost. When can we use them? Can we sign them with our personnel, who have completely different tasks described in their employment contract? Can the hourly rate be different in the additional contract and the employment contract?</p>	
14	<p>If employee works in the project partially (for example 25% of his full working hours), what kind of documents are necessary (except time sheets) to have a proof that this costs are eligible? Annex to the contract of employment? Additional agreement? Changes in the “list of responsibilities”? A kind of declaration?</p>	
15	<p>Is it necessary to calculate hourly rate in the case of persons employed exclusively on the project?</p>	
16	<p>Let’s take as an example a PhD student, receiving except from (small) salary from a beneficiary, an internal or external science scholarship. Should this scholarship be taken while calculating a working hourly rate for him (together with the salary)?</p>	
17	<p>If as the result of applying system of calculation the hourly-rate based on the last closed financial year, the remuneration claimed is higher than the actual remuneration of the employee, recorded in the accounting system, is this difference eligible?</p>	
18	<p>If I calculate productive hours 1720 h/year, can I change for another option during the next reporting period of the same project? Is it possible that different options of calculating productive hours are applied for different H2020 projects in the same</p>	

	organization simultaneously?	
19	If the beneficiary want to increase a payment to employee using H2020 additional payment rules, should it be done in frame of additional (to contract of employment) agreement or it can be done in frame of the same contract of employment?	
20	<p>Could you explain if and under which conditions below costs may be considered part of the basic remuneration:</p> <ul style="list-style-type: none"> • Benefits in kind (for example costs of a company car made available to certain categories of employees for their own use) • A fee paid by the beneficiary for a complementary health insurance scheme for the employees. 	
21	<p>In Poland, sick pay is covered by the employer for a period of no longer than 30 days. The problem is, that the basis for calculation of the amount of sick pay is whole remuneration of a given employee (including remuneration that is not eligible under H2020 rules).</p> <p>If we were to apply H2020 rules of H2020 projects in Poland, we should calculate the share of the non-eligible part of remuneration and then remove it from the sum used for calculating the eligible cost of sick pay.</p> <p>However, this is not the way the majority of beneficiaries calculate their costs. Such an interpretation of these rules will result in a massive amount of mistakes, which in turn will be questioned by the auditors. Such calculation is also very complicated.</p> <p>Could you please confirm that the whole amount of sick pay is eligible when declaring costs.</p>	

CASE STUDY 1

I would like to confirm that our usual policy on remuneration meets the criteria of eligibility in Horizon2020, especially in the light of the articles regarding rules for “additional remuneration”. Our remuneration system operates from 1996 till now, it is conforming the national law and it is as follows:

Our salaries are divided into 2 different groups of components:

- fixed / basic components
- supplements to working hours which can be different for particular projects (including statutory and own funds projects). These are paid for the regular responsibilities described in the employment contract.

Both described in the working agreement and our internal regulations.

The total amount on our monthly payroll account is the sum of these different components and includes:

1. Basic salaries and supplement for scientific degree or for holding the position of manager (when applied) – described in the agreement,
2. Health Insurance supplement,
3. Other supplements assigned to the particular projects, described in our internal regulations (Remuneration Regulations for our employees) – supplement for managing the project, supplement for participation in the projects.

The idea to implement that particular system is to make it a system of motivation. It reflects reasonable, complying with the principle of sound financial management, in particular regarding economy and efficiency, remuneration policy.

According to the internal rules to calculate the costs of project hourly rates are used. In order to calculate an hourly rate the salaries must be divided by the productive time (total hours worked, excluding holidays, personal time, sick leave). Hourly rates are calculated individually for each person on the base of actual remuneration costs taken from the payroll account (total gross remuneration plus the employer’s portion of social charges) which includes above mentioned components.

In our opinion flexible components of our salaries do not meet the terms for so called “additional remuneration” described in the article 6.2 of model grant agreement. They are different in particular months depending of the number and kind of the projects and reach average level of 50-60% of total remuneration. They are paid every month and their flexibility is limited only to the volume not to their nature. Also, they are paid regardless of our participation in EU projects – they are paid even if the person is involved in institute’s own funds projects. I would like to point out that ineligible costs like bonuses, lease car, expense account schemes, incentive payments or profit-sharing schemes are excluded from the calculation of an hourly rate in the projects.

CASE STUDY 2

Assuming that (typically for Polish scientific organizations) remuneration rules for personnel are defined in the "Collective Bargaining Agreement" (CBA). Typically such CBA reads, that the salary might be composed from various components, which may stem from different sources, e.g. internal budget, externally funded projects, Ministry subsidies, etc.

Both, the various components and their funding sources are written down into the employment contract, stating the fraction of the working time spent on each activity and the associated remuneration. The rules for the remuneration are unique, regardless of the funding source.

Questions:

1. which components of the salary can be used to calculate "annual personnel cost"? In particular, please answer under which conditions following components might be used:

- basic salary
- social security
- Manager/leadership supplements
- Supplement related to number of years worked so far
- Supplement for published research papers
- Supplement for active acquisition of projects or commercialization of scientific results
- Supplement for acquired scientific titles and honours
- remuneration stemming from Ministry subsidies
- remuneration stemming from commercialization of scientific results
- remuneration stemming from activity in non-EU projects
- remuneration stemming from activity in EU FP7 projects
- remuneration stemming from activity in EU H2020 projects

2. What kind of activity within the H2020 project can be included into an additional remuneration (from 8000 Euro bonus):

- supplement for Project Coordinator/Manager
- supplement for Deputy Project Coordinator/manager
- supplement for work package leader
- supplement for task leader
- supplement for an outstanding work of the employee related to the action

3. Can the additional remuneration (stemming from part of 8000 Euro bonus) increase the hourly rate in the next budgetary/fiscal year?

4. Please approve or correct following numerical example:

Assuming that:

- A. in previous closed fiscal year a given person was employed:
50% for his statutory duties (with nominal full rate 1000 Euro/month), and
50% for non-H2020 project (with nominal full rate 1500 Euro/month),

i.e. a given person has been earning (according to his work contract) together: $50\% \times 1000 + 50\% \times 1500 = 1250$ Euro/month,
i.e. his total income in a previous year was 12×1250 Euro/year,
i.e. his average hourly rate $12 \times 1250 / 1720 = 8.72$ Euro/hour

- B. now he finishes his previous non-H2020 project, and
starts to work 50% on H2020 project, maintaining his previous 50% involvement in statutory activities.

We believe that (please correct our reasoning and calculation):

- C. Under new employment contract his hourly rate may be increased by pro-rata fraction of 8000 Euro bonus
i.e. by $50\% \times 8000 / 1720 = 2.33$ Euro/hour

Consequently his new hourly rate will be equal to old rate + bonus

i.e. $8.72 + 2.33 = 11.05$ Euro/hour

i.e. his monthly income will be 1583 Euro, i.e. a modest increase of 333 Euro/month as compared to his previous year

- D. Now the question arises how to calculate the part of his new hourly rate which is an eligible H2020 project cost?

Again we believe that (please correct):

Out of the above calculated hourly rate of 11.05 Euro/hour:

$12 \times 50\% \times 1000 / 1720 = 3.49$ Euro/hour will be charged to statutory fund,

and the rest 7.56 Euro/hour can be charged to H2020 project

5. Can we within the H2020 project involve and pay persons, which are not our employees (e.g. employees of other organizations, students, pensioners, etc.) and will be involved via temporary commissioned work contracts?

6. How to calculate "annual personnel cost" for an employee, whose sole duty (as written in their "Descriptions of Job" and "Work Contracts") is to run projects, e.g. professional project managers? In case of large institutes, who run hundreds of projects, it is quite usual to have this type of permanent staff. They are not paid from statutory fund, but by projects, which they run.

7. What to do if EC restrictions in salaries lead to disadvantageous situation of personnel working for EC projects ? They are treated worse, than persons working for national projects, what may cause problems with trade unions.

CASE STUDY 3

SGSP is the university which trains fire service officers and educates specialist in fire safety and civil safety engineering. SGSP reports to the Minister of Internal Affairs.

SGSP employs State Fire Service officers, they work as the academic teachers under the Act of State Fire Service (PSP), and under the act of appointment. Polish law, according to the State Fire Service Act (PSP) from September 24th1991, articles numbers 31,36,85, does not accept the co-financing of their basic remunerations from external sources.

Questions in reference to the Horizon 2020 projects:

- Is it possible that we report to the EC only additional remuneration limited to 8000 Euro/year and not the basic remuneration, which can't be financed from the external sources?
- Is it possible that we sign with our employees, additionally to the act of appointment, a civil law contract (umowa zlecenie) connected with realization of tasks related to the Horizon 2020 projects. The remuneration resulting from this civil law contracts will be reported to the EC as additional remuneration with application of the 8 000 EUR/year limit.
- The payment of additional remuneration described above will be based on the objective criteria – participation in the international cooperative projects. This criteria will be established in SGSP internal rules and generally applied, regardless of the source of funding used.

Could you kindly confirm that this way of proceeding in our circumstances is in line with H2020 rules. Any other ideas how to proceed in our situation would be much welcomed.