Cost eligibility guide under Measure 4.4 of The Smart Growth Operational Programme for units not being beneficiaries of state aid.

This Guide regulates the basic issues related to cost eligibility in research and development projects, under the SG OP, Measure 4.4.

It contains sections/appendices defining:

- The time frames and principles for cost eligibility
  - Catalogue of eligible costs
  - Catalogue of non-eligible costs
- Documenting incurred expenditures
- VAT as eligible cost
- Manner of incurring expenditures in compliance with the fair competition principle

COST ELIGIBILITY GUIDE under Measure 4.4 OF THE SMART GROWTH OPERATIONAL PROGRAMME for units not being beneficiaries of state aid

Foundation for Polish Science
Appendix no. 9.1 Cost eligibility guide under Measure 4.4 of The Smart Growth Operational Programme for units not being beneficiaries of state aid

The Cost Eligibility Guide under the Smart Growth Operational Programme (hereinafter referred to as the Guide) has been developed basing on existing legal regulations. The main aim of the Guide is to facilitate the classification of expenditures for beneficiaries, both on the stage of project planning and during the subsequent project settlement. At the same time we reserve that the above specifications shall not cancel or limit the possibility of the occurrence of different arrangements and results of inspections carried out by competent authorities.

Definitions:
Beneficiary – recipient of the grant in the extra-stipendiary grant project of the Foundation for Polish Science – an entity specified in Art. 2 item 10 and in Art. 63 of the Regulation of the European Parliament and of the Council 1303/2013 of 17th December 2013; whenever the term "beneficiary" is used in this Guide it should be also understood as the partner and the entity authorised to incur expenditures specified in the project proposal, unless the Guide expressly states that it refers to the beneficiary as a party to the co-financing agreement.

1. Aim of the development of the Guide

The aim of the Guide was to develop, clarify and illustrate the issue of cost eligibility, to facilitate the beneficiaries development of a cost schedule within the prepared projects and the settlement of received funds as well as to improve the monitoring of projects on various stages of evaluation, by providing effective and efficient public finance management and equal opportunities with respect to the access to funding by creating uniform, transparent principles of cost eligibility.

2. Legal grounds

The present Guide has been developed taking into account the existing legislation regulating finance management in projects subject to financing from the ERDF and the principles of project realisation under the Smart Growth OP.

3. Scope of the Guide

3.1 The Guide determines the principles of cost eligibility for projects realised under Measure 4.4 Increasing the human potential in R&D sector, of the Smart Growth Operational Programme. It contains a catalogue of eligible costs and a catalogue of non-eligible costs.

3.2 The eligibility of the given cost depends on the compliance with general principles of eligibility, in particular those stipulated in the Guidelines on the eligibility of expenditures under the European Regional Development Fund, the European Social Fund and the Cohesion Fund for the years 2014-2020 and Guidelines on the eligibility of expenditures under the Smart Growth Operational
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Programme 2014-2020 as well as on the specificity of the realised project and the inclusion of the given expenditure in the substantial scope of the project included in the project proposal, constituting an appendix to the concluded co-financing agreement.

3.3 The principles refer to all eligible expenditures incurred by the beneficiary (also by potential partners) – both within own funds of the beneficiary and the received funding.

3.4 Depending on the type of realised projects, additional eligibility criteria may be specified in the relevant binding legislation or call for proposals documentation.

4. Principles for cost eligibility

§1 Time frame of eligibility

4.1 The term "cost eligibility period" refers to the period during which eligible expenditures may be incurred and settled within the project. Expenditures incurred and settled outside the eligibility period shall be non-eligible costs. The cost eligibility period for each project is specified in the co-financing agreement.

The incurred expenditures have to be listed in the report submitted by the beneficiary, on cash basis, i.e. only actually incurred expenditures (cash payments or money transfers from bank account of the beneficiary) may constitute eligible costs. The following are exceptions from this rule:

- expenditures settled in form of a lump-sum, i.e. expenditures settled at lump-sum rates;
- depreciation costs; and
- deductions specified in Art. 498 of the Polish Civil Code.

All expenditures listed in the report have to be actually incurred and paid during the cost eligibility period and prior to the submission of the report (in which they are listed).

In case of invoices or other accounting documents issued in foreign currency, the amount of the eligible expenditure should be converted into PLN at the foreign currency sales rate determined by the bank realising the payment on the date of the payment, i.e. the principle of reimbursement of actually incurred expenditures should be applied, at the exchange rate of the day on which the beneficiary settled the invoice/other accounting document (not of the date of listing of the invoice/another accounting document). If it is impossible to apply the sales exchange rate of the given bank, the expenditures eligible for funding incurred in foreign currency should be converted at a different rate, compliant with the binding legal regulations and with the accounting policy adopted by the beneficiary. If the payment for the invoice/other accounting document issued in foreign currency is made in instalments, then the amounts of individual instalments of the eligible cost should be converted into PLN pursuant to the principles described hereinabove.

§2 Verification of cost eligibility

4.2 During the evaluation of the project proposal, the initial assessment of cost eligibility consists in the analysis of compliance with existing regulations (in particular the Guidelines of the Minister of Infrastructure and Development on the eligibility of expenditures under the European Regional Development Fund, the European Social Fund and the Cohesion Fund for the years 2014-2020 and the Guidelines of the Minister of Infrastructure and Development on the eligibility of expenditures under the Smart Growth Operational Programme 2014-2020) as well as with the call for proposals documents that are binding for the given edition of the call and the binding version of the Guide as of
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the date of announcing the call for proposals. Verification shall be conducted basing on information contained in the project proposal.

During the evaluation of the report, the verification of cost eligibility consists in the analysis of its compliance with existing regulations (in particular the Guidelines of the Minister of Infrastructure and Development on the eligibility of expenditures under the European Regional Development Fund, the European Social Fund and the Cohesion Fund for the years 2014-2020 and the Guidelines of the Minister of Infrastructure and Development on the eligibility of expenditures under the Smart Growth Operational Programme 2014-2020 binding as of the date of incurring the cost) as well as with the call for proposals documents for the given edition of the call, the provisions of the co-financing agreement and the Guide. Verification shall be conducted basing on the project proposal, the report and the verification (at the premises of the beneficiary) of documents confirming the incurred expenditures.

In order to verify the correctness of agreements concluded as part of the realisation of the project as a result of conducted proceedings The Guidelines of the Minister of Infrastructure and Development on the eligibility of expenditures under the European Regional Development Fund, the European Social Fund and the Cohesion Fund for the years 2014-2020 and the Guidelines of the Minister of Infrastructure and Development on the eligibility of expenditures under the Smart Growth Operational Programme 2014-2020 in the version binding as of the date of initiation of the proceedings leading to the conclusion of the give agreement shall apply. Initiation of the proceedings means the publication of an announcement about the initiation of proceedings or about the intention to grant a public procurement, as specified in sub-section 6.5 of the Guidelines on the eligibility of expenditures under the European Regional Development Fund, the European Social Fund and the Cohesion Fund for the years 2014-2020, or about the recruitment of employees pursuant to employment relationship, provided that the beneficiary proves the publication of the announcement about the initiation of proceedings.

Projects with the funding value exceeding PLN 3 million shall be subject to mandatory external audit pursuant to Art. 34 of the Act on the Principles of Financing Science. The cost of the conducted audit constitutes eligible cost if the audit started after incurring at least 50% but not later than before 80% of the planned project expenditures.

§3 Eligible costs

4.3.1 The expenditure may be deemed as eligible, if all of the following conditions are met:

- the expenditure was actually incurred during the period specified in the co-financing agreement, pursuant to the conditions defined in sub-section 6.1 of the Guidelines on the eligibility of expenditures under the European Regional Development Fund, the European Social Fund and the Cohesion Fund for the years 2014-2020;
- it is compliant with the binding European Union and national legislation;
- it is compliant with the Smart Growth Operational Programme 2014-2020 and the Detailed Description of the Priority Axes of the Smart Growth Operational Programme 2014-2020;
- it has been incurred in compliance with the provisions of the co-financing agreement;
- it was included in the substantial scope of the project contained in the project proposal;
- it is necessary for the realisation of the project and it was incurred in connection with the realisation of the project;
- it has been incurred in a transparent, rational and efficient way, in compliance with the principle of achieving the best effects from the given expenditures;
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- it has been appropriately documented;
- it has been listed in the report;
- it refers to delivered goods, provided services or performed works;
- it has been incurred in compliance with the Public Procurement Law (if applicable), or in compliance with the principle of competitiveness specified in Appendix No. 3 – The manner of incurring expenditures in compliance with the fair competition principle;
- it does not constitute non-eligible expenditure pursuant to European Union and national legislation;
- it is compliant with the conditions for deeming it as eligible expenditure specified in the call for proposals documentation.

4.3.2 Eligible costs are costs calculated pursuant to currently binding accounting principles, the principles of proper finance management and the practices of the beneficiary (accounting policy). For the purposes of settlement of the project costs, each of the beneficiaries shall apply the practices (guidelines) adopted by its organisation. The possibility to settle the incurred expenditures pursuant to the accounting principles applied by the given organisation does not mean that the beneficiaries may create new principles especially for the purposes of the project.

4.3.3 The beneficiary of the project is obliged to incur expenditures in compliance with Art. 44, item 3 and Art. 162 item 3 of the Public Finance Act.

§4 Documenting the incurred expenditures

4.4.1 The costs should be documented in a manner that enables the evaluation of the realisation of the project from the financial and content-based points of view.

4.4.2 Beneficiaries and partners realising the project are obliged to keep separate bookkeeping records for the project in a manner that enables the identification of individual accounting and banking operations.

4.4.3 Beneficiaries who are not obliged to maintain any bookkeeping records pursuant to the existing regulations (the Act on Accounting, taxation laws) are obliged to maintain a register of documents related to operations connected with the realisation of the project (respectively: accounting books and tax books).

4.4.4 The evidence of incurring expenditure is an issued invoice or another accounting document of equivalent probative value along with the confirmation of payment. Each original accounting document (invoice, receipt, etc.) has to be annotated specifying the following information:
- name (title) of the project as specified in the co-financing agreement;
- date of conclusion and number of the co-financing agreement;
- amount of the eligible cost;
- description of the connection between the cost and the co-financing agreement – the description of the invoice should provide information about the category of expenditures approved in the co-financing agreement to which the expenditure documented by the given invoice refers;
- information about the financing of the project from ERDF funds – i.e. The project is co-financed from the funds of the European Regional Development Fund;
- assignment and item number of the document;

* Does not apply to simplified methods of expenditure settlement.
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- information about formal and substantial correctness;
- annotation about the method of payment (if it is not stated in the document);
- if the given accounting document is only partly connected with the project, the description should unanimously state the part of the expenditure, divided into eligible and non-eligible costs, is connected with the project, by means of specifying certain elements or the percentage share of the expenditure in the project pursuant to the accounting document.

Invoices/other accounting documents issued in foreign currency should additionally contain the exchange rate used for the conversion of the foreign currency into PLN pursuant to the principles specified in section 4.1 of the Guide. If the payment for the invoice/other accounting document issued in foreign currency is made in instalments, then the annotation should also contain the exchange rates for specific instalments.

4.4.5 Documents confirming the costs connected with depreciation incurred as part of the realised project are, in particular, accounting documents or excerpts from accounting records that reflect the amount of the incurred costs, certified for compliance with the original document by authorised persons, or, in the case of entities that are not obliged to revalue fixed assets, an appraisal study prepared by an authorised entity.

4.4.6 If expenditures are documented by means of electronic invoice, accounting document recorded on a digital carrier should be presented, constituting the equivalent of a traditional accounting document along with the description in electronic version, in compliance with the requirements of the institution being party to the co-financing agreement.

§5 Prohibition of double financing

4.5.1 Total or partial double financing of a given cost is prohibited.

4.5.2 Double financing refers, in particular, to:

- listing the same cost as a part of several different projects co-financed from national or European funds;
- financing the costs of goods and services tax from the funds of the co-financed project and then recovering this tax from state budget means pursuant to the Act of March 11, 2004 on the Goods and Services Tax and regulations implementing the Act;
- purchasing a fixed asset with use of funds from national grant or EU co-financing and then listing the costs of depreciation of such asset under the co-financed project;
- listing a cost as part of settlement of a subsidy and then listing the same cost under the co-financed project;
- settlement of an expenditure incurred by the lessor for the purchase of the subject of leasing pursuant to financial leasing and then the settlement of the instalments paid in connection with leasing of such object as part of the project;
- financing, pursuant to a civil law contract, of the tasks performed by a project staff member that fall into the scope of their normal duties resulting from the employment relationship;
- purchase of a used fixed asset that was co-financed from the national subsidies or EU co-financing during the previous 7 years (10 years for real property);

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† The 7 or 10 year periods are calculated in calendar months, starting from the purchase date (e.g. 7 years from November 9, 2014 is the period from that date to November 9, 2007).
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- situations when the funds for pre-financing of the EU contribution had been obtained in form of a loan which was later written off;
- having received for the eligible costs of the given project or part of the project non-refundable financial support from several sources (national, European or others) in a total amount exceeding the maximum permitted amount of co-financing for the given project or part of the project;
- covering the eligible costs of the project both by loan and guarantee support;
- settlement of the same expenditure as part of indirect and direct project costs.

Listing an incurred cost as part of the project shall not be deemed as double financing if it was financed from own funds of the beneficiary (revenues obtained from business activity, other sources), even if they constitute public funds pursuant to the Public Finance Act.

5. VAT (Goods and services tax)

5.1 VAT constitutes eligible cost only if it was incurred by the beneficiary in connection with eligible costs and the beneficiary has no legal possibility to recover the VAT paid (VAT subject to recovery pursuant to the Act on the Goods and Services Tax shall not be deemed as eligible, even if it was not actually recovered by the beneficiary but there was a possibility to do so foreseen in legal regulations – in such case the VAT is always a non-eligible cost).

5.2 The possibility to recover the VAT shall be considered in compliance with the provisions of the Act of the 11th of March, 2004 on the Goods and Services Tax.

5.3 The beneficiary is obliged to submit a statement concerning the eligibility of the VAT.

5.4 Lack of legal possibility to recover VAT occurs, if the beneficiaries are not entitled to lower the amount of tax due (connected with the taxed operations within the project) by the amount of input tax (connected with the costs of the purchased goods and services and fixed assets).

Such situations may occur in the following cases:

- **5.4.1** the project does not/will not bring any revenues – the purchased goods, services or fixed assets are not used for taxed sale – or there is no direct, undisputable connection between the purchased goods, services or fixed assets and taxable operations.
- **5.4.2** the beneficiary is legally exempt from VAT taxation,
- **5.4.3** the beneficiary performs only such actions that are legally exempt from VAT taxation.

5.5 If, as part of the proposed project, the beneficiary uses the purchased goods/services/fixed assets for the performance of actions that entitle them to lower the due VAT amount by the input tax amount as well as actions that do not entail such right, and if the beneficiary is able to determine the input tax amount connected with activities which do not entitle them to lower the due tax amount – the eligible cost may be only the part of the VAT that is connected to these activities, that do not entitle the beneficiary to lower the amount of tax due by the amount of input tax.

5.6 If the beneficiary is unable to separate the total or partial amounts specified in item 5.5 and thus if it settles the VAT by lowering the amount of tax due by such part of the input tax amount that can be proportionally assigned to activities that entitle them to lower the amount of tax due (so-called sale coefficient as defined in Art. 90, item 2 of the Act of the 11th of March, 2004 on the Goods and Services Tax), then the VAT in such project constitutes non-eligible expenditure as a whole.
6. Own contribution

6.1 In certain cases, the beneficiary is obliged or has the possibility to make their own contribution in the declared amount to cover part of the eligible costs in the realised project.

6.2 Own contribution may be made in cash (cash disbursements/money transfers from the bank account during the project) or in the form specified in Appendix 1 (i.e. depreciation).

7. Appendices

Appendix No. 1. Catalogue of eligible costs under Measure 4.4 Increasing the human potential in R&D sector

Appendix No. 2. Catalogue of non-eligible costs

Appendix No. 3. Manner of incurring expenditures in compliance with the fair competition principle.