

The Foundation for Polish Science

Cost Eligibility Guide for Measure 4.3 of the Smart Growth Operational Programme

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I. Background

The Cost Eligibility Guide for Measure 4.3 of the Smart Growth Operational Programme (hereinafter the *Guide*) has been prepared on the basis of the legal regulations currently in force. The main aim of the *Guide* is to facilitate the classification of expenditures for Grantees, at the stage of project planning and during the subsequent settlement of the received funding. At the same time, the provisions of the *Guide* shall not constitute an interpretation basis for arrangements and results of inspections carried out by competent authorities on the basis of separate regulations.

Definitions:

Grantee – recipient of a grant in the non-competitive grant project of the Foundation for Polish Science – an entity specified in Article 35(3-4) of the *Act of 11 July 2014 on the Principles of Implementing Cohesion Policy Programmes Financed under the 2014-2020 Financial Perspective*.

The Grantee is responsible for:

- a) the accuracy of the material and financial implementation of the project and for the correctness of all eligible expenditures incurred under the project,
- b) ensuring project durability in line with Article 71 of Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006,

1. Aim of the Guide

The aim of the Guide is to describe and provide details on the issue of the eligibility of costs incurred by Grantees with regard to the purpose and nature of operations funded under Measure 4.3 of the Smart Growth Operational Programme (SG OP), to assist Grantees in the development of a cost schedule within the prepared projects and the settlement of received funds, and also to improve the monitoring of projects at various stages of evaluation, by providing effective and efficient public finance management and equal opportunities in access to funding by creating uniform and transparent cost eligibility rules.

2. Legal basis

This Guide has been created taking into account the existing regulations governing finance management in projects subject to financing from the ERDF, in particular Article 35 (6, 4) of the Act of 11 July 2014 on the *Principles of Implementing Cohesion Policy Programmes Financed under the 2014-2020 Financial Perspective* and chapters 6.19 section 5 of *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*.

3. Scope of the Guide

3.1 The Guide sets forth the rules of cost eligibility for projects implemented under Measure 4.3, International Research Agendas, of the Smart Growth Operational Programme; it contains a catalogue of eligible costs and a catalogue of ineligible costs.

3.2 The eligibility of a given cost in a specific project depends on compliance with general rules of eligibility, in particular those provided in the *Guide* developed on the basis 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* (hereinafter *Guidelines*), as well the specific character of the project and compliance with the material scope of the project included in the grant application. In cases not regulated in this Guide, cost eligibility shall be assessed in line with the eligibility rules specified in the Guidelines.

3.3 The rules refer to all eligible expenditures incurred by the Grantee under the project.

3.4 Depending on the type of the project, additional eligibility criteria may be specified in the applicable legal regulations or Competition Documentation.

3.5 The Guide may be amended or updated¹. A new version of the Guide is valid as of the date of its publishing on the Foundation's website (www.fnp.org.pl), except for the following:

- a) increasing the flat rate (referring to category O – costs settled using a simplified method); - an amended flat rate is applied as of the starting date of the project implementation;
- b) increasing the % limits assigned to the following cost categories: cross-financing, project publicity costs, costs of land and buildings, costs of the purchase of low-cost equipment - the amended flat rate is applied as of the starting date of the project implementation;
- c) other changes introducing more favourable solutions for the Grantee. The changes may be applied as of the starting date of the project only to expenditures unsettled under the direct costs of the project.

4. Cost eligibility rules

4.1 Timeframe of eligibility

4.1.1 The term “cost eligibility period” refers to the period during which eligible expenditures may be incurred and settled within the project. Costs incurred and settled outside the eligibility period shall be ineligible costs. The cost eligibility period for each project is specified in the grant agreement.

4.1.2 The incurred costs must be listed in the financial report submitted by the Grantee on a cash basis; i.e. only actually incurred expenditures (cash payments or money transfers from the bank account of the Grantee) may constitute eligible costs. Exceptions from this rule are the following:

¹ Amendments or updates of the *Guide's* content do not constitute a basis for changing, and particularly increasing, the amount of funding awarded for the project.

- expenditures settled on the basis of flat rates, i.e. expenditures settled at flat rates
- depreciation costs
- deductions specified in Article 498 of the *Polish Civil Code*.
- settlements made on the basis of an internal debit note, except for the situation referred to in section 13 of the Catalogue of ineligible costs in the *Guide*;
- allowances for the Employee Benefit Fund.

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

4.1.4 In the case of invoices or other accounting documents issued in a foreign currency, the amount of the eligible expenditure should be converted into PLN in accordance with the applicable legal regulations and the accounting policy adopted by the Grantee. If the payment for the invoice or other accounting document issued in a foreign currency is made in tranches, then the amounts of individual instalments of the eligible expenditure should be converted into PLN under the rules described above.

4.2 Verification of cost eligibility

4.2.1 During the evaluation of the grant application, the initial assessment of cost eligibility consists of the analysis of compliance with the applicable EU and national regulations, the Competition Documentation valid for the given edition of the competition, including the *Guide* applicable as at the date of announcing the competition. The verification shall be based on information contained in the grant application.

4.2.2 During the evaluation of the financial report, the verification of cost eligibility consists of the analysis of its compliance with the applicable EU and national regulations, the Competition Documentation valid for the given edition of the competition and the provisions of the grant agreement (based on the material scope of the project) and the *Guide*. Verification shall be based on the grant application, grant agreement, the financial report and the control or verification of documents confirming the incurred expenditures, including on the basis of a sample of accounting documents or other documents confirming the incurred expenditures (including those referring to contractor selection procedures)².

4.3 Eligible costs

4.3.1 An expenditure may be deemed eligible if all of the following conditions are met:

- a) the expenditure was actually incurred during the period specified in the grant agreement;
- b) it has been incurred in line with the provisions of the *Guide*;
- c) It is compliant with applicable European Union and national law;
- d) 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*;
- e) it has been incurred in compliance with the provisions of the grant agreement;
- f) it is in line with the material scope of the project contained in the grant application;
- g) it is necessary for the implementation of the project and was incurred in connection with the implementation of the project;

² In line with the grant agreement and pursuant to Article 22 (6) of the Act of 11 July 2014 on the Principles of Implementing Cohesion Policy Programmes Financed under the 2014-2020 Financial Perspective.

- h) 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;
- i) it has been appropriately documented in line with section 4.4 of this Guide;
- j) it has been listed in the financial report;
- k) it refers to delivered goods, provided services or performed works;
- l) it has been incurred in compliance with the Public Procurement Law or the principle of competitiveness, or the principle of performing and documenting market research, as applicable;
- m) it does not constitute an ineligible expenditure pursuant to European Union and national law;
- n) it is compliant with the conditions for deeming it an eligible expenditure specified in the Competition Documentation.

4.3.2 Eligible costs are costs calculated pursuant to the currently binding accounting principles, principles of sound financial management and the practices of the Grantee (accounting policy). Each Grantee shall apply the practices (guidelines) adopted by its organisation for project cost settlement. The possibility of settling the incurred expenditures pursuant to accounting principles applied by the given organisation does not mean that Grantees may create separate accounting principles used solely for the purposes of the project.

4.3.3 The Grantee is obliged to incur expenditures in compliance with Article 44(3) and Article 162 (3) of the Public Finance Act.

4.3.4 Eligible costs may include advance payments (for a specific purpose) paid to the contractor, provided that they were paid in line with the provisions of the agreement concluded between the Grantee and the contractor; if the agreement was concluded on the basis of the Public Procurement Law, Article 151a of the Act shall apply.

4.3.5 As a rule, eligible costs may include expenditures incurred by the Grantee to the benefit of the contractor being a party to the agreement, for supply, services or construction works concluded with the Grantee. In the case of bailiff's seizure of the payment for the contractor, the expenditure incurred to the bank account indicated by the bailiff may be considered eligible if it was incurred in line with the remaining expenditure eligibility conditions.

4.3.6 The date of incurring an expenditure shall be:

- a) for monetary expenditures:
 - i. made by a bank transfer or a debit card – the date of charging the Grantee's bank account, i.e. the transaction's posting date,
 - ii. made with a credit card or a similar deferred payment instrument – the date of the transaction resulting in debiting the account of the credit card or a similar instrument,
 - iii. made in cash – the date of the actual payment,
- b) in the case of depreciation – the date of making a depreciation allowance,
- c) in the case of a deduction referred to in Article 499 of the Polish Civil Code,
- d) in the case of a court deposit – the date of actually making the deposit at the court,
- e) in the case of settlements based on an internal debit note – the note's posting date.

4.4 General rules of documenting the incurred expenditures^{3, 4}

4.4.1 The costs should be documented in a manner that allows the evaluation of the project implementation from the financial and substantive perspective.

4.4.2 Grantees and partners implementing 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 Grantees who are not obliged to maintain any bookkeeping records pursuant to the existing regulations (the Accounting Act, tax laws) are obliged to maintain a register of documents related to operations connected with the project implementation (accounting books and tax books, respectively).

4.4.4 The evidence of incurring an expenditure is a paid invoice or other accounting document of equivalent evidential value along with confirmation of payment. Each original accounting document (invoice, receipt, etc.) must be annotated, specifying the following information:

- a) name (title) of the project as specified in the grant agreement;
- b) date and number of the grant agreement;
- c) amount of the eligible cost;
- d) description of the connection between the cost and the grant agreement – the description of the invoice should provide information about the category of expenditures approved in the grant agreement to which the expenditure documented by the given invoice refers;
- e) information about the financing of the project from ERDF funds – i.e. “Project co-financed from the funds of the European Regional Development Fund”;
- f) assignment and item number of the document;
- g) information about formal and substantive correctness;
- h) annotation on the method of payment (if not stated in the document);
- i) if a given accounting document is only partly connected with the project, the description should unequivocally state the part of the expenditure, divided into eligible and ineligible costs, connected with the project, by specifying certain elements or the percentage share of the expenditure in the project based on the accounting document. In the event of preparing and applying a specific methodology for dividing expenditures, it constitutes a document required to confirm the accuracy of calculations.

Invoices or other accounting documents issued in a foreign currency should additionally contain the exchange rate used for the conversion of the foreign currency into PLN pursuant to the rules specified in section 4.1.4 of the *Guide*. If the payment for the invoice or other accounting document issued in a foreign currency is made in tranches, then the annotation should also contain the exchange rates for specific tranches.

4.4.5 Documents confirming costs connected with depreciation incurred as part of the 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 property, plant and equipment, an appraisal prepared by an authorised entity.

4.4.6 If expenditures are documented by an electronic invoice, an accounting document recorded on a digital carrier should be presented, which is equivalent to a copy of a traditional accounting

³ The detailed rules referring to particular types of expenditures were described in Chapter 2 of the *Guide*.

⁴ This does not apply to simplified expenditure settlement methods.

document, along with a description in an electronic form, in line with the requirements specified in section 4.4.4.

4.5 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:

- a) full or partial repeated confirming, refunding, or settling the same expenditure as part of co-financing or own contribution in the same or different project(s) co-financed from EU funds and national public funds;
- b) disclosing, refunding or settling the cost of VAT from EU funds, and then recovering that tax from the state budget pursuant to the VAT Act of 11 March 2004;
- c) purchasing fixed asset using EU funds and/or subsidies from national public funds, and then settling the costs of depreciation of such fixed asset under the same project or other projects co-financed from EU funds;
- d) listing a cost as part of settlement of a subsidy and then listing the same cost under the co-financed project;
- e) refunding an expenditure incurred by the lessor for the purchase of a leased asset under financial leasing and then refunding the instalments paid by the Grantee in connection with leasing that asset;
- f) financing pursuant to a civil-law contract of the tasks performed by a project staff member which fall into the scope of their normal duties under their employment relationship;
- g) the purchase of used fixed asset that was co-financed from EU funds and/or subsidies from national public funds during the previous 7 years (10 years for real property)⁵;
- h) situations where the funds for pre-financing of the EU contribution had been obtained in the form of a credit or loan which was later written off;
- i) receiving non-returnable financial support from several sources (national, EU or other) for the eligible costs of a given project or part of the project in a total amount exceeding 100% of eligible costs under the project or its part;
- j) covering the eligible costs of the project by both loan and guarantee support;
- k) settlement of the same expenditure as part of costs settled using a simplified method and direct project costs.

4.6 Audit

The Project in which funding exceeds PLN 3 million is subject to an obligatory external audit pursuant to Article 34 of the Act on the Principles of Financing Science. The costs of the audit is an eligible cost if the audit began after making at least 50% of the planned expenditures related to the project implementation but not later than before making 80% of the planned expenditures related to the project implementation.

⁵ The 7- or 10-year periods are calculated in calendar months, starting from the purchase date (e.g. 7 years from 9 November 2014 is the period from that date to 9 November 2021).

5. VAT

5.1 VAT constitutes an eligible cost only when, in line with the VAT regulations valid in a given Member State, it cannot be recovered by the taxpayer.

5.2 The conditions to be met by a given entity to deduct VAT for the purchase of a specific product or service are the following:

- a) The entity has a status of a VAT payer (i.e. is self-employed),
- b) The entity does not take advantage of a general VAT exemption,
- c) The purchased product or service are used by the entity to perform activities subject to VAT.

5.3 Beneficiaries who allocate VAT to eligible expenditures are obliged to attach to their grant application "The VAT eligibility declaration".

5.4 In line with the Guidelines, in order to consider VAT an ineligible cost, the right to deduct VAT must be inapplicable not only to the beneficiary but also to "any other entity involved in the project and using products constituting project outcomes in their taxable activities both in the implementation and operational phase." VAT should constitute ineligible expenditure regardless of which entity recovers it.

5.5 The option provided for in Article 113 of the VAT Act, stipulating a general VAT exemption for taxpayers with low turnovers (with a possibility for these taxpayers to resign from such exemption) shall not be considered the right to deduct VAT.

5.6 VAT may be eligible only for a part of a project. In such a situation, the beneficiary shall be obliged to ensure a transparent system of settling the project, so as to avoid any doubts regarding the part and the scope in which the VAT may be deemed an eligible cost.

5.7 If there is a basis for the Beneficiary to recover VAT, the Beneficiary obliges itself to inform the Foundation of this fact and to return the tax recovered from funding.

5.8 In the case of deducting a part of VAT according to the proportion determined on the basis of the applicable provisions of the VAT Act⁶, the tax may be eligible.

5.9 Adjustments of settlements associated with a change of the VAT structure index shall be made cumulatively in the current payment application or in the final payment application and may apply also to completed tasks. In the case of a change of the VAT structure rate made after submission of the final payment application the Beneficiary is obliged to inform the Foundation of the adjustment and to return the funds (the ineligible part of VAT) at the Foundation's request.

⁶ In line with the VAT Act as at the date of the Guide's becoming valid these are Article 86 (2a) and Article 90 (2).

6. Procurement rules

6.1 A procurement is an agreement made for consideration and entered into between a contracting authority and a contractor (including natural persons hired on the basis of a civil-law agreement, except for civil-law agreements with a value below PLN 50,000 net concluded with a natural person hired as a Visiting Researcher, in line with the rules stipulated in the Competition Documentation), with the object of providing services, supplies, or construction work necessary to implement the Project.

6.2 In order to incur expenditures within the project, the Grantee shall prepare and conduct the procurement procedure in a manner enabling fair competition and equal treatment of bidders in accordance with Chapter 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*.

6.3 Publishing the request for proposals according to the 'competitiveness principle' shall be made through adding the request for proposals to the 'competitiveness database' made available by the SG OP Managing Authority using the "Applicant tab" (if the "Grantee" tab is not available). In the event when no bids were received following the publication of a request for proposals, it is permitted to conclude an agreement with the contractor selected without the application of the 'competitiveness principle', provided that the contractor meets all the conditions specified in the published request for proposals.

6.4 If the Grantee breaches the terms and procedures of procurement rules, the Foundation for Polish Science shall consider all or part of the expenditures related to the contract to be ineligible, according to the regulation of the minister in charge of regional development, issued pursuant to Article 24(13) of the Act of July 11, 2014 on the principles of conducting cohesion policy programmes in the financial perspective 2014–2020.

6.5 For assessing the correctness of agreements concluded under the project implementation as a result of the procurement procedures carried out, 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* shall apply in a version valid as at the date of launching the procedure ending with concluding a given agreement. In the event when the version of the aforementioned Guidelines announced during the project implementation introduces more favourable solutions for the Grantee in terms of procurement rules, the more favourable solutions shall apply from the starting date of the project implementation.

6.6 Launching the procurement procedure is equivalent to publishing a notice of launching the procurement procedure or of intension procurement referred to in the aforementioned Guidelines.

7. Income generated as part of the project implementation

7.1 Projects with a total eligible cost exceeding EUR 1 million

7.1.1 The Grantee is obliged to a proportional return of income according to the principles stipulated in the document *“The income calculation and monitoring procedure for Grantees receiving funding under Axis IV of the Smart Growth Operational Programme”*⁷.

⁷ Document developed by the National Centre for Research and Development. As at the date of this Guide's entry into force, the document in version 01 of 21 July 2016 is valid.

II. Catalogue of eligible costs under Measure 4.3 International Research Agendas

Eligible costs of Grantees under Measure 4.3 of the SGOP include the following cost categories:

Direct costs	<ul style="list-style-type: none">a) Remuneration (W)b) Subcontracting (E)c) <i>Cross-financing (C)</i>:<ul style="list-style-type: none">• stipends• fellowships• training coursesd) Other direct costs (Op), including:<ul style="list-style-type: none">• Low-cost research and scientific equipment• Costs of land and buildings• Project publicity costs• All the remaining direct costs, including the costs of depreciation of equipment and intangible assets
Costs settled on a flat rate basis (O)	

1. W – Remuneration costs

1.1 General information

1.1.1 This category covers the following eligible costs: **cost of remuneration and non-wage labour costs**, including social and health insurance contributions of **persons employed for conducting research**⁸ (research staff, including Director of Scientific Affairs, substantive management staff, technical staff and other auxiliary staff) **and technology brokers** in the part that such remuneration is directly related to the implementation of the project covered by the grant.

1.1.2 Expenditures connected with hiring a person who performs tasks within the project(s) are eligible provided that:

- a) they were incurred in line with national regulations, in particular in accordance with the Act of 26 June 1974 – the Labour Code or the Act of 23 April 1964 – the Civil Code⁹ or in the case of volunteers¹⁰ – pursuant to the Act of 24 April 2003 on Public Benefit and Volunteer Work.
- b) the resulting workload does not prevent the person from the proper and effective performance of all tasks entrusted to him or her;
- c) the total professional involvement of the person in the implementation of all projects financed from EU funds and in any activities funded from other sources, including the Grantee's or other entities' own funds, shall not exceed 276 hours per month¹¹;

The above conditions should be met throughout the whole period of eligibility of the remuneration of the given employee in the project.

1.1.3 The remuneration rate suggested for the Research Group Leader, student, PhD student and junior postdoctoral researcher is specified in the Competition Documentation¹². Adopting other remuneration rates than indicated in the Competition Documentation requires the consent of the Foundation for Polish Science.

1.1.4 The following payroll and non-payroll elements of personnel remuneration constitute eligible costs, subject to section 1.2 or 1.3 of this *Guide*:

- a) base remuneration;
- b) bonuses and awards (apart from service anniversary awards), including appreciation bonuses resulting from the internal remuneration rules of a given organisation specifying uniform rules for all employees (also those not involved in the implementation of projects co-financed from the SGOP);
- c) task- or function-related allowance for tasks or roles in the project,

⁸ Personnel directly involved in the research process, as per the range of duties of the personnel, may be settled through direct costs.

⁹ Employment costs in accordance with the Act of 23 April 1964 – the Civil Code apply to natural persons hired as Independent Researchers (Visiting Researchers) in line with the principles stipulated in the Competition Documentation.

¹⁰ In the case of unpaid work performed by volunteers, the following conditions should be jointly met: a volunteers should be aware of his/her involvement in the project implementation (i.e. aware of the unpaid participation) and the type of unpaid work performed by the volunteer should be defined (his/her role in the project should be specified); tasks carried out and reported by the volunteer must correspond to his/her role performed within unpaid work.

¹¹ The above limit of 276 h of professional involvement referred to in section 1.1.2 (c) concerns persons involved in the implementation of project tasks or activities based on an employment relationship and volunteers performing services according to the rules specified in the Act of 24 April 2003 on Public Benefit and Volunteer Work.

a) in the case of an employment relationship – the number of work days in a given month arising from the employment relationship is taken into account, and the limit includes the employee's absence due to sick leave and holiday leave, with the exclusion of unpaid leave.

¹² The specified suggested remuneration for the Research Group Leader, student, PhD student and junior postdoctoral researcher does not include additional annual remuneration provided in section 1.1.4 (i) of this Guide;

- d) function allowance for performing managerial roles in a given organisation;
- e) special allowance resulting from the specificity and nature of the performed tasks;
- f) allowance for long-term work;
- g) remuneration for the period of holiday leave (proportionally to the percentage of involvement of a given employee in the implementation of the project in the month when the leave took place, or if this is impossible to determine, in the month preceding the month in which the leave took place);
- h) remuneration for the period of inability to work pursuant to applicable social security regulations (proportionally to the percentage of involvement of a given employee in the implementation of the project in the month when the inability to work occurred, or if this is impossible to determine, in the month preceding the month in which the inability to work occurred);
- i) additional annual remuneration¹³ including social security and non-insurance fund contributions is eligible proportionally to the period during which the employee performed the tasks for the purposes of the project;
- j) contributions for:
 - pension, including the Employee Pension Plan,
 - disability insurance,
 - sickness insurance,
 - health insurance,
 - accident insurance;
- k) Labour Fund contributions;
- l) contribution for the Guaranteed Employment Benefit Fund;
- m) personal income tax advance payment;
- n) allowances for the Employee Benefit Fund.

NOTE: Allowances mentioned in section 1.1.4 are eligible provided that they were granted on the basis of an employment relationship pursuant to the Act of 26 June 1974 – the Labour Code.

1.2 Employment relationship

1.2.1 When personnel is hired on the basis of an employment relationship, expenditures on such personnel's remuneration are eligible when all of the following conditions are met:

- a) an employee is hired or assigned¹⁴ in order to perform tasks directly associated with project implementation,
- b) remuneration is eligible only up to the final eligibility date for expenditures specified in the grant agreement. The remuneration for students and PhD students is eligible in the period specified in the first sentence, but only by the end of the month in which their Master's thesis (for students) or doctoral dissertation (for PhD students) was defended; the above does not mean that the employment relationship may not continue beyond the project implementation period,
- c) employment or assignment for the performance of tasks associated with the project implementation is properly documented in the employment contract or the scope of the employee's professional duties or job description; proper documentation should be understood as, for instance, identifying in the aforementioned documents the tasks to be performed by the person under the project.

¹³ Additional annual remuneration of project staff members is eligible only if it results from the regulations of labour law.

¹⁴ Assignment should be interpreted as a clear designation of an employee's professional duties associated with the project for the period of their involvement in the project implementation.

1.2.2 If the employment relationship of a Grantee's employee only partially involves tasks under the project (e.g. 1/2 FTE, 1/4 FTE under the project) expenditures in relation to remuneration under the project are eligible proportionately, unless the range of responsibilities, the complexity or level of competence required for a given position justifies the difference between the expenditure's share and the work time arising from the employment relationship.

1.2.3 Eligible expenditures for personnel remuneration may be awards (excluding service anniversary awards) or bonuses, provided that they¹⁵:

- a) are included in the work regulations or remuneration regulations of a given organisation or in other applicable labour law regulations, the principles of awarding them are the same in the case of personnel hired for the implementation of projects and for other employees of the Grantee,
- b) are awarded in relation to the implementation of project tasks based on an employment relationship.

1.2.4 In the case of periodically increasing the scope of professional duties of a given person, eligible expenditures associated with personnel's remuneration may be allowances mentioned in section 1.1.4 of the Guide, provided that they were granted in line with the applicable labour law regulations, subject to section 1.2.5; the allowance may be granted both as sole eligible remuneration in the project or as a supplementation of the eligible project personnel's remuneration under the project.

1.2.5 Allowances mentioned in section 1.1.4 of the Guide may be eligible if they meet all of the following conditions:

- a) they are included in the work regulations or remuneration regulations of a given organisation or in other applicable labour law regulations,
- b) the principles of awarding them are the same in the case of personnel hired for the implementation of projects and for other employees of the Grantee,
- c) they are eligible only in the period of a given person's involvement in the project,
- d) they are eligible up to the amount of 40% of the base remuneration, including non-wage labour costs, provided that exceeding that limit may result solely from generally applicable law regulations,
- e) their granting depends on the scope of additional duties¹⁶.

1.2.6. Payroll shall be the basis for documenting labour-contract-related remuneration costs.

1.3 Contract of mandate

1.3.1 In the project there is a possibility of hiring individuals on the basis of a contract of mandate as Independent Researchers (Visiting Researchers) in line with the rules stipulated in the Competition Documentation.

1.3.2 A person hired by the Grantee on the basis of an employment contract may not be hired for the implementation of tasks within the project on the basis of a contract of mandate.

¹⁵ In the case of part-time employment for the project, payments from the award fund, awards and bonuses granted only for work associated with the implemented project may be eligible in their full amount.

¹⁶ The "scope of additional duties" should be understood as both new work duties which do not result from the existing scope of duties and increased involvement as part of the existing work duties.

1.3.3 A receipt and an acceptance report forms the basis for documenting contract-of-mandate-related remuneration costs.

2. E – Subcontracting costs

2.1 Subcontracting costs should be understood as **subcontracting to third parties part of the substantive work under the project** that is not performed on the premises and under direct supervision of the Grantee, and the costs of resources made available by third parties, e.g. the costs of lease of the laboratory along with research equipment.

2.2 Auxiliary services necessary for the performance of project-related tasks, such as legal or accounting services, are not deemed to be subcontracting.

2.3 All task-specific contracts should also be settled within this category.

NOTE 1: In the case of task-specific contracts, the performance of tasks must be confirmed by an acceptance protocol confirming the material result of the work performed.

NOTE 2: Task-specific contracts should meet the requirements specified in Article 627 of the Civil Code and may not cover continuous tasks.

2.4 Subcontracting costs are excluded from the basis for calculating costs settled using a simplified method.

NOTE: In the case of **subcontracting costs (category E)** the total amount of eligible costs in the project **may not exceed 20%** of the total **eligible costs of the project**.

3. C – Cross-financing

3.1 The following types of costs are eligible within this category:

- a) **stipends** for students and PhD students involved in conducting research under the given project;
- b) **fellowships** of stipends holders or research team members within the scope related to the research work conducted as part of the project, the commercialisation of research results and state-of-the-art technology achievements or project management);
- c) **training courses** of stipends holders or research team members within the scope related to the research work conducted as part of the project, the commercialisation of research results and state-of-the-art technology achievements or project management.

3.2 Cross-financing costs (category C) are excluded from the basis for calculating costs settled using a simplified method.

NOTE: In the case of **cross-financing costs (category C)** the total amount of eligible costs in the project **may not exceed 30%** of the total **eligible costs of the project**.

4. Op – Other direct costs

4.1 Low-cost research and scientific equipment

4.1.1 The following types of costs are eligible within this category:

- a) expenditures for the purchase of **low-cost research and scientific equipment** (i.e. equipment of a value not exceeding PLN 500,000.00 for exact, engineering and life sciences or PLN 150,000.00 for humanities and social sciences) necessary for the implementation of the project;
- b) Expenditures on **transport, installation and start-up** of the research and scientific equipment purchased under the project along with **specialist training in the operation thereof**, expenditures on checking and testing the research equipment purchased under the project and **technical assistance** provided by the manufacturer during the initial period of operation of the research and scientific equipment purchased under the project, provided that **these expenditures do not increase the initial value of the purchased tangible fixed asset pursuant to the Accounting Act.**

4.1.2 Expenditures incurred on the purchase of fixed asset referred to in section 4.1.1 and the costs of their delivery, installation and start-up may be eligible in whole or in part as determined by the Grantee based on the actual use of the fixed asset for the purposes of the project.

NOTE: In the case of **low-cost research and scientific equipment costs (category Op 4.1)** the total amount of eligible costs in the project **may not exceed 10%** of the total **eligible costs of the project.**

4.1.3 The grant application should list the planned purchases of low-cost research and scientific equipment along with a substantive justification stating expressly that the unit does not possess any equipment that could be used as a substitute and that obtaining access to such equipment in another unit would not be justified from the economic point of view. Planned purchases of low-cost research and scientific equipment shall be subject to evaluation by experts. In the case of a necessity to introduce changes in the scope of low-cost research and scientific equipment purchases planned in the grant application it is necessary to apply to the Foundation and to obtain a written approval of the changes.

4.1.4. Specialist equipment

During the project implementation, and no earlier than after the completion of the competition procedure and the selection of the research group leader at the IRAP implementing unit, the Grantee may apply to the Foundation for Polish Science for funds to purchase specialist equipment, provided that:

1. the application will be submitted at the request of the Foundation for Polish Science, within the periods specified by the Foundation for Polish Science;
2. the application will be evaluated by experts appointed specifically for that purpose,
3. the evaluation will take into account such criteria as the analysis of the equipment of a particular type available in the country with the use of the available equipment lists and databases,
4. a representative of the National Centre for Research and Development shall participate in the session of the evaluating panel as an observer.

4.2 Costs of land and buildings

4.2.1 The costs of land and buildings are eligible within the scope and during the period necessary for the implementation of the project¹⁷.

4.2.2 The following types of costs, i.a., are eligible within this category:

- a) **land lease** – only leasing instalments, without interest;
- b) **perpetual usufruct of land** – only perpetual usufruct fees, without interest;
- c) **depreciation of buildings**¹⁸ – if the buildings are also used for purposes other than the project implementation, then only the part of the depreciation allowance corresponding to the proportional use of the buildings for project implementation purposes is eligible;
- d) expenditures connected with **adapting the laboratory space** owned by the Grantee¹⁹.

4.2.3 In the case of costs of land and buildings specified above (4.2.2 a-d) the total amount of eligible expenditures in the project must not exceed 10% of the total eligible costs of the project.

4.3 Project publicity costs

Project publicity costs, e.g. information and promotion materials, website costs, etc. up to 1% of the eligible costs of the project.

4.4 Other direct costs

4.4.1 Other operating costs include, among others, the costs of materials, consumables and similar products incurred in direct connection with project implementation.

4.4.2 The following types of costs, i.a., are eligible within this category:

- a) **materials** such as raw materials, semi-finished products and reagents;
- b) **laboratory equipment** (generally all purchases that do not meet the requirements to be qualified as fixed asset pursuant to the Accounting Act and the adopted accounting policy);
- c) **cost of maintenance of technological lines**, experimental installations etc., during the period and proportionally to their use in the project;
- d) **lease of laboratory space** (i.e. premises suitable for conducting research, e.g. due to the required certificates or applied security systems, without research equipment)²⁰;
- e) **elements used for the construction and permanently installed in the prototype, pilot or demonstration installation;**
- f) costs of **the publication of project results** in journals listed in the JCR, **conference fees** and costs of preparing **presentations of project results during conferences** – after obtaining FNP's consent;

¹⁷ The Op category may be used to settle the costs of land or buildings which are used in whole or in part for the purposes of the conducted research work, i.e. laboratories or other spaces used for research and for the purposes of equipment, materials and personnel of the project settled in direct costs.

¹⁸ If the building is also used in the project for administrative purposes, the depreciation cost of the building should be divided between the costs of buildings and land and the "O" category costs – a flat rate pro rata to its use in order to implement content-related works as part of the project.

¹⁹ Excluding renovation costs.

²⁰ The costs of lease of spaces other than laboratory space shall be covered by indirect costs. The costs of renting the laboratory including the equipment shall be deemed to constitute subcontracting.

- g) costs of **intellectual property management** (for the purposes of ensuring intellectual property protection, valuation or agreements related to the commercialisation of results);
- h) **operating costs of research and scientific equipment** owned by the unit implementing the IRAP or borrowed to such unit free of charge;
- i) costs of **international co-operation within the project and co-operation with businesses** (including the implementation costs of the part of the project under the supervision of a person delegated from the IRA unit in a strategic partner unit abroad or in a different unit co-operating within the project, in particular the costs of access to databases, library resources and the use of materials);
- j) the cost of **the functioning of the International Research Agenda**, including costs of meetings of the International Scientific Committee or the Science Council, expert or supervisory bodies in Poland or abroad, and the travel and accommodation costs connected with the stay in Poland of individuals involved in the implementation of the R&D project or in the functioning of the International Research Agenda who are not employees of the IRAP unit;
- k) the cost of an **external audit** if it began after making 50% of the planned expenditures related to the project implementation but not later than before making 80% of the planned expenditures related to the project implementation.
- l) costs associated with **equipping work stations** for the project's R&D personnel are eligible in full only if the personnel is hired on the basis of an employment relationship for at least 1/2 FTE. In the event when a given employee is involved in the implementation of tasks in several projects, costs are settled proportionately to involvement in a given project. As regards R&D personnel involved in the project on the basis of other forms of involvement for less than 1/2 FTE (except for the Project Leader), costs associated with equipping work stations for the project personnel are ineligible.
- m) expenditures **on the modernisation of research and scientific equipment, devices and other elements of research equipment owned** by the Grantee or **leased** to it free of charge – **only upon the written consent of the Foundation for Polish Science;**
- n) expenditures on the **purchase** of technological know-how and patents, i.e. **intangible assets (IA)** in the form of patents, licences, know-how, technological knowledge not protected by patents, expert opinions, analyses and research reports, etc.
- o) **depreciation allowances or costs of paid use** of:
 - i. **research and scientific equipment** and other equipment used for the purposes of research;
 - ii. technological know-how and patents purchased or used pursuant to licences **obtained from third parties on market conditions, i.e. intangible assets (IA)** in the form of patents, licences, know-how, technological knowledge not protected by patents, expert opinions, analyses and research reports, etc.
- **in the scope and during the period necessary for the project implementation.**
- p) costs associated with the participation of a volunteer in the project²¹

²¹ In the case of unpaid work performed by volunteers, the costs associated with their participation are incurred in line with the provisions of section 1.1.2 of this *Guide*;

4.4.3 Depreciation rules

Depreciation allowances due to a decrease in value constitute eligible costs if all of the following conditions are jointly met:

- a) at the moment of purchasing, the equipment meets the definition of a fixed asset (in line with Article 3(1)(15) of the Accounting Act: *tangible fixed assets with the expected economic usability term longer than one year, complete, ready for use, and intended for the entity's needs*;
- b) the equipment or IA is necessary for the proper implementation of the project and is used in direct connection with the project;
- c) the equipment or other devices for research purposes are listed in the register of fixed assets of entities that purchased them;
- d) depreciation expenditures have been calculated in compliance with accounting regulations and with the accounting policy of the entity;
- e) the eligible value of depreciation allowances refers only to the period of the project implementation;
- f) if the equipment or IA is also used for purposes other than the project implementation, then only the part of the depreciation allowance corresponding to the proportional use of the assets for project implementation purposes is eligible;
- g) the purchase of equipment or IA was not co-financed from national subsidies or EU funds;
- h) the purchase of equipment or IA was not settled as an eligible cost of the project;
- i) depreciation allowances refer to equipment or IA that have been purchased in a rational and efficient way, i.e. their prices do not exceed market prices and rates.

The residual value of the fixed tangible asset or the IA after the completion of the project implementation does not constitute an eligible cost.

4.4.4 Paid use of equipment/IA

4.4.4.1 Expenditures incurred as a result of paid use of equipment (leasing, hire) or intangible assets (licence fees) constitute eligible costs to the extent and during the period necessary for project implementation.

4.4.4.2 As far as leasing (operational or financial) is concerned, the eligible cost is the **part of the leasing instalment** issued for the Grantee **connected with the repayment of the principal amount** (without interest and other fees) of the subject of the leasing agreement.

4.4.4.3 As far as leasing costs are concerned, the maximum amount of eligible costs must not exceed the market value of the goods subject to leasing. This means that the amount of eligible costs must not exceed:

- a) the amount stated on the receipt issued to the lessor by the provider of the co-financed goods – for goods purchased not earlier than 12 months prior to submission of the grant application by the Grantee;
- b) the market value of the goods subject to leasing specified in the valuation prepared by a certified appraiser or in the valuation prepared on the basis of the methodology presented by the Grantee – for goods purchased earlier than 12 months prior to the submission of the grant application by the Grantee. The valuation may be replaced with documentation justifying the selection of the subject of leasing in a tender procedure that guarantees compliance with the fair competition principle.

- c) in the case of a **financial lease with the depreciation period longer than the term of the lease agreement**, the eligible cost shall represent the depreciation allowance for the project implementation period.

5. O – flat rate

5.1 Costs settled under the “O” category with a flat rate incurred in relation to the Project implementation shall be settled in accordance with the *Methodology of calculating simplified costs under the Smart Growth Operational Programme*, included in part 4 of this *Guide*. The methodology was uniformly adopted for Axes I and IV of the Programme by the Programme’s Managing Authority and the European Commission.

5.2 The simplified method makes it possible to reduce the amount of formalities and to facilitate the settlement of indirect costs by reducing the amount of documentation, avoiding the necessity to perform time-consuming and complicated calculations of distribution keys and to assign particular specific cost items as eligible for the project.

5.3 Costs settled on a flat rate basis (“O”) may be incurred only in relation to the Project implementation. The Grantee's spending of funds provided within the grant, including costs settled with a flat rate, requires the Project Leader’s approval.

5.4 Costs settled on a flat rate basis (“O”) include the following types of costs:

- a) Lease or maintenance costs of buildings associated with the project’s administration, in particular:
- office space maintenance costs (rent, lease, administration charges, depreciation of buildings used for administrative purposes),
 - costs of utilities (electricity, gas, water charges, etc.)
 - cleaning and security costs for premises;
 - costs of adapting administrative premises for the purposes of project implementation;
 - costs of property insurance;
 - costs of waste disposal;
 - costs of periodic maintenance and inspection of equipment.
- b) Administration costs, including:
- stamp duties and notarial fees;
 - costs of postal, telephone, Internet and courier services, etc.;
 - costs of banking services, except for the costs of maintaining a bank account;
 - costs of accounting, legal and similar services;
 - costs of office supplies;
- c) Costs of remuneration, including non-wage labour costs, of management and administrative personnel, including:
- costs of remuneration, including non-wage labour costs, of project management personnel²²:

²² Remuneration of individuals whose job descriptions indicate both substantive and management or administrative roles should be analysed on the basis of the range of duties and assigned proportionately to direct and flat-rate costs.

- costs of remuneration, including non-wage labour costs, of service personnel (e.g. human resources, finance, accounting, administration services).
- d) Delegation cost of persons involved in the project implementation.

5.5 Costs covered by a flat-rate ("O") incurred in connection with the implementation of the project are settled as a percentage of direct costs with the exclusion of subcontracting costs (category E) and cross-financing costs (category C), according to the following formula:

Flat rate – "O" = 25% x [direct costs – (subcontracting costs including the costs of resources provided by third parties which are not used in the premises/headquarters/project implementation location of the beneficiary project + cross-financing costs)]

5.6 Costs settled on a flat-rate basis ("O") shall be deemed incurred expenditures. Under the project the Grantee is not obliged to collect or describe accounting documents confirming the expenditures reported as expenditures settled with the simplified method. The verification of expenditures declared according to simplified methods involves verifying whether the Grantee accurately reported the amount of expenditures forming the basis for calculating the flat rate. The amount of expenditures settled with a flat rate ("O") is based not only on costs included in financial reports but also on all deductions made within the project.

NOTE: Costs settled on a flat-rate basis ("O") may not be reported under direct costs of the project (under categories W, E, C and Op).

III. Catalogue of ineligible costs

Ineligible costs include:

1. costs incurred outside the eligibility period specified in the grant agreement;
2. costs that do not meet the eligibility criteria specified in the *Guide* and the *Guidelines*;
3. undocumented or inappropriately documented costs;
4. VAT that may be recovered by the Grantee both in the implementation and operational phase pursuant to national regulations, i.e. the VAT Act of 11 March 2004 and the related secondary legislation;
5. commissions collected as part of foreign exchange transactions;
6. costs incurred in connection with the establishment of a security for the proper performance of the obligations resulting from the grant agreement, with the exception of expenditures on the establishment of a security if the security is required under the grant agreement);
7. costs incurred in connection with the purchase of consulting services, including tax consulting, legal consulting, advertising or promotion, which constitute a part of the permanent or temporary operations of Grantee's business or are connected with ongoing operating expenditures of the Grantee;
8. expenditures incurred pursuant to the cross-financing principle that exceed the limit specified for the given project;
9. interest charged on debt;
10. exchange gains;
11. costs of loans or credit incurred for the pre-financing of the grant;
12. fines and penalties;
13. settlement of the purchase of items owned by the Grantee or rights to which the Grantee is entitled by means of a debit note;
14. expenditures related to court proceedings, expenditures on the preparation and legal handling of court proceedings, costs connected with the functioning of arbitration committees and the costs of implementing any decisions that may be issued by courts or arbitration committees;
15. expenditures on the purchase of used fixed tangible asset that was co-financed from EU funds or national subsidies during the previous 7 years (10 years for real property)²³;
16. expenditures incurred on the purchase of developed or undeveloped real property, perpetual usufruct right or the acquisition of other legal titles to real property (e.g. limited property rights: lease, tenancy, usufruct) exceeding 10% of the total eligible costs of the project;

²³ The 7- or 10-year periods are calculated in calendar months, starting from the purchase date (e.g. 7 years from 9 November 2007 is the period from that date to 9 November 2014).

17. expenditures connected with preparing and filling out the grant application;
18. success fee for the co-author of the application who prepares, for example, the feasibility study, calculated as a percentage of the amount of funding obtained or applied for, paid by the Grantee;
19. cost of external audits of expenditures on science if the audit started before the implementation of 50% or after making 80% of the planned project expenditures;
20. expenditures connected with leasing agreements other than the principal amount of the leasing instalment – tax except for VAT, in particular the profit margin of the financing entity, interest on cost refinancing, insurance fees, overheads, costs of the assembly and adaptation of property, plant and equipment for use, and costs of spare parts for the leased equipment;
21. transactions²⁴ in cash with a value exceeding the equivalent of the amount²⁵ specified in Article 22 of the Business Freedom Act of 2 July 2004;
22. the following payroll and non-payroll elements of remuneration:
 - a) service anniversary award;
 - b) equivalent for unused holiday leave;
 - c) group life insurance contribution (treated as the taxable revenue of the employee);
 - d) costs of additional contributions and charges not required by applicable national law regulations (treated as the taxable revenue of the employee), unless:
 - i. they are included in the work regulations or remuneration regulations of a given organisation or in other applicable labour law regulations,
 - ii. the principles of paying/awarding them are the same in the case of personnel hired for the implementation of projects and for other employees of the Grantee.
 - e) additional health subsidy;
 - f) cash equivalent (e.g. reduced payment for electricity);
 - g) electricity subsidy (treated as the taxable revenue of the employee);
 - h) use of company car – commuting to/from work and home;
 - i) benefits from the Company Social Benefit Fund;
 - j) allowances financed from the state budget (e.g. nursing benefit, family benefit) or from the funds of the Social Insurance Institution (e.g. maternity, rehabilitation, paternity, attendance, compensation benefit);
 - k) benefit for the period of inability to work, pursuant to applicable social security regulations;
 - l) remuneration for overtime work;
 - m) subsidy for glasses;
 - n) benefits for foreign languages, for non-smoking, and other benefits of this type introduced by the employer, compensation under a non-competition clause, or other compensation that the employer is obliged to pay;
 - o) food vouchers for employees;
 - p) contributions for the State Fund for Rehabilitation of Disabled Persons (PFRON);
 - q) redundancy payments for employees of the project;
 - r) retirement/pension severance payments;
 - s) holiday leave subsidies.

²⁴ Regardless of the number of payments arising from a given transaction.

²⁵ In line with the Act as at the date of the Guide's becoming valid these are transactions exceeding PLN 15,000.

Costs incurred in a manner non-compliant with the Public Procurement Law or the principle of competitiveness or the principle of performing and documenting market research may be deemed ineligible in whole or in part.

IV. The methodology of calculating simplified costs under the Smart Growth Operational Programme

8. 1 Types of eligible costs and the suggested form of simplified costs

- 1) Eligible costs under measures 1.1, 1.2, 4.1, 4.3 and 4.4 of the *Smart Growth Operational Programme* (SGOP) are direct costs and indirect costs (additional overheads) incurred in relation to the implementation of R&D projects and the pre-implementation phase: costs of personnel: researchers, technicians and other auxiliary staff in the scope for which they are employed for a given project;
- 2) costs of instruments and equipment to an extent and for the period in which they are used for the purposes of the project. If instruments and equipment is not used for the purposes of the project for the entire period of its use, eligible costs are depreciation costs corresponding to the project implementation period calculated on the basis of the generally applicable accounting principles;
- 3) costs of land and buildings to an extent and for the period in which they are used for the purposes of the project. For buildings, eligible costs are depreciation costs corresponding to the project implementation period calculated on the basis of the generally applicable accounting principles. For land, eligible costs are the costs of commercial transfer or actually incurred capital costs;
- 4) costs of contractual research, knowledge and patents bought or licensed from outside sources at market prices, where the transaction has been carried out at arm's length, as well as costs of consultancy and equivalent services used exclusively for project purposes;
- 5) additional overheads and other operating costs, including the costs of materials, supplies and similar products incurred directly as a result of the project implementation;

Additional overheads referred to in letter e and part of the cost of buildings (to an extent in which they are used for the purposes of project administration and management) referred to in letter c are indirect costs which are covered by a flat rate calculated for actually incurred direct costs excluding subcontracting costs.

In the case of applying cross-financing (depending on the competition, costs of training, scholarships and placements) to costs referring to the European Social Fund (ESF) the flat rate applied at the ESF is used for indirect costs. The rate for indirect costs used for the Knowledge Education Development Operational Programme also amounts to 25% of direct costs.

The application of the simplified method for indirect costs is obligatory and was introduced in order to reduce the amount of documentation, the lack of necessity to perform time-consuming and complicated calculations of distribution keys and to assign particular specific cost items as eligible for the project. A crucial argument for the application of the flat rate is also to limit the risk of irregularities related to the settlement of indirect costs on the basis of actual costs.

The catalogue of indirect costs specifies other costs necessary to perform the project not considered direct costs.

These include in particular:

- a) Lease or maintenance costs of buildings, including:
 - costs of lease, rent or depreciation of buildings used for administrative purposes;
 - costs of utilities (electricity, gas, water charges, etc.);
 - cleaning and security costs for premises;
 - costs of adapting premises for the purposes of project implementation;
 - costs of property insurance;

- costs of waste disposal;
 - costs of periodic maintenance and inspection of equipment.
- b) Administration costs, including:
- stamp duties and notarial fees;
 - costs of postal, telephone, Internet and courier services, etc.;
 - costs of banking services, except for the costs of maintaining a bank account;
 - costs of accounting, legal and similar services;
 - costs of office supplies;
- c) Costs of remuneration, including non-wage labour costs, of management and administrative personnel, including:
- costs of remuneration, including non-wage labour costs, of project management personnel;
 - costs of remuneration, including non-wage labour costs, of service personnel (e.g. human resources, finance, accounting, administration services).
- d) Delegation expenses of persons involved in the project implementation.
- e) Costs incurred in connection with the establishment of a security for the proper performance of the obligations resulting from the grant agreement.

8.2 Assumptions and sources of data used to develop the methodology

Pursuant to Article 67 (5)(b) of Regulation (EU) No 1303/2013 of the European Parliament and of the Council²⁶ and Article 20 of Delegated Regulation (EU) No 480/2014²⁷ there is a possibility of using a simplified form of settling direct costs in R&D projects with a pre-implementation phase of the SGOP based on the applied flat rate in line with Article 29 of Regulation No 1290/2013 of the European Parliament and of the Council²⁸: “Eligible indirect costs shall be settled according to a flat rate amounting to 25% of eligible direct costs, excluding eligible subcontracting costs and the costs of resources provided by third parties which are not used in the beneficiary's premises and financial support for third parties”.

It was assumed that the applied project funding system under the SGOP complies with the subsidy funding system under the Horizon 2020 Programme, and that it is possible to adopt the solution related to indirect costs used in the Horizon 2020 programme.

The compliance of the system of funding R&D projects used by the National Centre for Research and Development with the pre-implementation phase was based on compliance with the Horizon 2020 programme in several aspects:

²⁶ Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006.

²⁷ Delegated Regulation (EU) No 480/2014 of 3 March 2014 supplementing Regulation (EU) No 1303/2013 of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund.

²⁸ Regulation (EU) No 1290/2013 of the European Parliament and of the Council of 11 December 2013 laying down the rules for participation and dissemination in "Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020)" and repealing Regulation (EC) No 1906/2006 (OJ EU L 347 vol. 56 of 20.12.2013).

- Target group/recipients

An equivalent group of recipients – research units, enterprises (including awarded enterprises from the SME sector), scientific and industrial consortia, scientific consortia, industrial consortia, independent researchers, students, PhD students, special purpose vehicles, technology transfer centres²⁹.

2) Range of activities/works subject to funding

The thematic focus of measures 1.1, 1.2 and 4.1 of the SGOP is in line with one of three main priorities of the Horizon 2020 Programme “Industrial leadership” with an aim of streamlining the development of technology and innovation to provide foundations for the future operations of enterprises and to support innovative companies from the SME sector to successfully enter the world market. The priority covers the area “Leadership in enabling and industrial technologies”, where emphasis is placed on supporting scientific research and innovations ending with implementations. The goal is to improve competitiveness, create jobs and support economic development. The support provided may be spent on the research and development aspect (industrial research and development work) and on supporting the commercialisation of projects’ results and other forms of transferring them to the economy.

Measure 4.1 of the SGOP further corresponds to the priority of Horizon 2020 “Excellent science” with an aim of improving the quality of science in the EU and to increase the competitiveness of scientific research and innovation of the European Union on a global scale by funding interdisciplinary projects which will bring superior results by joining the potential of various fields of science and varying disciplines of advanced engineering so as to implement the studied solutions and create completely new technologies.

On the one hand, measures 4.3 and 4.4 of the SGOP are directly related to the challenges of Horizon 2020, contributing to fulfilling its priorities (in particular “Excellent science” through ERC grants³⁰ or the Marie Skłodowska-Curie actions), detailed objectives and cross-cutting issues. On the other hand, they also support the involvement of Polish entities in Horizon 2020 programme through e.g. the requirement of submitting an application for the implementation of a project under Horizon 2020 as a condition for extending the duration of the project under Measure 4.4. of the SGOP.

The aforementioned SGOP measures (similarly to the Horizon 2020 Programme) are directed at financing work with a potential for commercialisation, driving innovation and supporting cooperation between science and industry. Activities carried out under the SGOP also have a purpose of stimulating economic growth by boosting innovation, and the support provided was prepared in such a way as to cover as much of the innovation creating process as possible. Horizon 2020 covers the following activities:

- Innovative research – research projects focussing on clearly defined challenges in order to gain new knowledge or develop a new technology and implement them on the market
- Innovation – funding focussing on activities closer to the market, i.a. prototype preparation, testing, demonstration, modelling, scaling, etc., of the activities are aimed at developing new, improved products or services
- Innovation in SMEs (Fast track to innovations, Innovation actions – IA) – instruments supporting the innovative MSE sector with an option of assistance throughout the innovation creation process, starting from feasibility studies through the R&D phase and the commercialisation of results.

²⁹ Technology transfer centres of higher education institutions.

³⁰ The European Research Council

- ERC grants – funding projects assessed only on the basis of the scientific excellence criterion in any field of research carried out by one national or multinational research team supervised by the main researcher.
- Support for education and career development (the Marie Skłodowska-Curie actions) – funding international scholarships for research in the public and private sector, training in the field of scientific research and personnel exchanges.

8.3 The method of calculating the amount or rate

Eligible indirect costs in SGOP projects were calculated as follows:

$$\text{Indirect costs} = 25\% \times [\text{direct costs} - (\text{subcontracting costs} + \text{the costs of resources provided by third parties which are not used in the premises/headquarters/project implementation location of the beneficiary project})]$$

Indirect costs, as all the remaining costs, will be funded in conformity with state aid intensity assigned for a specific measure (works) for a given beneficiary.

8.4 Other rules applicable to the measure/project referring to the adopted simplified forms of expenditure settlement

In projects involving outsourcing services (subcontracting) and third party contribution, the value of these items will be separated from direct costs forming the basis for calculating the flat rate of indirect costs.

Furthermore, all SGOP measures are subject to the rule that beneficiaries incur their expenditures in accordance with the *Cost Eligibility Guide*. The Guide contains information and methods for settling project costs, identifies differences in approaching indirect and direct costs and provides all information essential for beneficiaries.

In the case of measures 4.3 and 4.4 of the SGOP funding projects consists of funding grants and scholarships on the basis of grant agreements and scholarship agreements with team members (if scholarships are planned by the Project Leader).

For measures 1.1, 1.2 and 4.1 of the SGOP funding projects takes place on the basis of agreements signed with beneficiaries or consortia of beneficiaries. Funds will be paid in line with the schedule included in the agreement kept in an electronic system.

8.5 Verification of expenditures settled using a simplified method

The value of indirect costs will be verified in relation to actually incurred direct costs of the project. Each reduction of the amount adopted as a result of a verification of direct costs (e.g. a financial adjustment) will proportionately affect the indirect costs amount.

Indirect costs will be settled proportionately in the respective documents confirming the incurring of direct costs.

Beneficiaries will not present accounting evidence or equivalent accounting documents and will not be obliged to keep separate records in the accounting systems for expenditures referring to indirect costs. In practice this means that they are not subject to control under the SGOP. The only controlled aspect will be whether the share of indirect costs in the direct costs of a given project does not exceed the permissible limit specified in line with the methodology.