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
- The rules of fulfilling public contracts

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 *October 27, 2016*

The Cost Eligibility Guide under Measure 4.4 of the Smart Growth Operational Programme (the "Guide")) has been developed based on existing legal regulations.
The main aim of the *Guide* is to facilitate the classification of expenditures for beneficiaries, at the stage of project planning and during subsequent project settlement.
However, the foregoing shall not prohibit or limit the possibility of different arrangements and results of inspections carried out by competent authorities.

Definitions:

Beneficiary – recipient of a grant in the extra-stipendiary grant project of the Foundation for Polish Science – an entity specified in Art. 2(10) and Art. 63 of Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013; whenever the term "beneficiary" is used in this Guide it should also be 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 Guide

The aim of the Guide is to develop, clarify and illustrate the issue of cost eligibility, to facilitate beneficiaries' development of a cost schedule within the prepared projects and the settlement of received funds and to improve the monitoring of projects at 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 rules of cost eligibility.

2. Legal grounds

This *Guide* has been developed taking into account the existing regulations governing 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 sets forth the rules of cost eligibility for projects realised under Measure 4.4, of the Smart Growth Operational Programme. It contains a catalogue of eligible costs and a catalogue of ineligible costs.

3.2 The eligibility of the given cost depends on compliance with general rules of eligibility, in particular those provided 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 the *Guidelines on the eligibility of expenditures under the Smart Growth Operational Programme 2014–2020 (guidelines from the minister in charge of regional development),* as well the specifics of the project and the inclusion of the given expenditure in the substantive scope of the project included in the project proposal, constituting an appendix to the co-financing agreement.

3.3 The rules refer to all eligible expenditures incurred by the beneficiary (also by potential partners), whether using the own funds of the beneficiary or the received funding.

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

4. Rules for cost eligibility

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. Expenditures incurred and settled outside the eligibility period shall be ineligible costs. The cost eligibility period for each project is specified in the co-financing agreement.

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

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

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 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 or other accounting document (not of the date of listing of the invoice or other accounting document). If it is impossible to apply the sales exchange rate of the given bank, expenditures eligible for funding incurred in foreign currency should be converted at another rate compliant with the applicable legal regulations and the accounting policy adopted by the beneficiary. If the payment for the invoice or 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 under the rules described above..

4.2 Verification of cost eligibility

4.2.1 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 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 on the eligibility of expenditures under the Smart Growth Operational Programme 2014–2020)* as well as with the Competition Documentation applicable to the given edition of the call and the version of the Guide in force as of the date of announcing the call for proposals. Verification shall be conducted basing on information contained in the project proposal.

4.2.2 During the evaluation of the financial report, the verification of cost eligibility consists in the analysis of its compliance with existing regulations (in particular 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 the *Guidelines on the eligibility of expenditures under the Smart Growth Operational Programme 2014–2020* in force as of the date of incurring the cost) as well as with the Competition Documentation for the given edition of the call, the co-financing agreement, and the Guide. Verification shall be conducted based on the project proposal, grant agreement, the financial report and the control or verification (at the premises of the beneficiary) of documents confirming the incurred expenditures.

4.2.3 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 in force as of the date of initiation of the proceedings leading to the conclusion of the given agreement shall apply. Initiation of the proceedings means the publication of an announcement on the initiation of proceedings or the intention to award a public contract, as specified in 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 the recruitment of employees pursuant to an employment relationship, provided that the beneficiary proves the publication of the announcement on the initiation of proceedings.

4.2.4 Projects with a funding value exceeding PLN 3 million shall be subject to mandatory external audit pursuant to Art. 34 of the Act on the Rules for Financing of Science. The cost of the audit constitutes an eligible cost if the audit began after incurring of at least 50% but no later than incurring of 80% of the planned project expenditures.

4.3 Eligible costs

4.3.1 The 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, pursuant to the conditions defined 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 the Cost Eligibility Guide as part of the Smart Growth Operational Programme 2014–2020;*
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 grant agreement;
f) It was included in the substantive scope of the project contained in the project proposal;
g) It is necessary for the realisation of the project and was incurred in connection with the realisation of the project;
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;
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 (if applicable) or the principle of competitiveness, or the principle of performing and documenting market research;
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 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(3) and Art. 162(3) of the Public Finance Act.

4.4 Documenting incurred expenditures[1]

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 substantive 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 that 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 realisation of the project (respectively: accounting books and tax books).
4.4.4 The evidence of incurring an expenditure is an invoice or other accounting document of equivalent probative value along with confirmation of payment. Each original accounting document (invoice, receipt, etc.) has to be annotated specifying the following information:

a) name (title) of the project as specified in the co-financing agreement;
b) date and number of the co-financing agreement;
c) amount of the eligible cost;
d) 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;
e) information about the financing of the project from ERDF funds – e.g. "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 the 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, that is connected with the project, by specifying certain elements or the percentage share of the expenditure in the project pursuant to the accounting document.

Invoices or 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 rules specified in section 4.1.4 of the Guide. If the payment for the invoice or 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 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

[1] Does not apply to simplified methods of expenditure settlement.

case of entities that are not obliged to revalue fixed assets, 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 the equivalent of a traditional accounting document, along with the description in the electronic version, in compliance 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 the structural funds or CF and/or subsidies from national public funds;
b) disclosing, refunding, or settling the cost of VAT from the structural funds or CF, and then recovering that tax from the state budget pursuant to the VAT Act of March 11, 2004;
c) purchasing a fixed asset using EU funds and/or subsidies from national public funds, and then settling the costs of depreciation of such a fixed asset under the same project or other projects co-financed from the 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 pursuant to financial leasing and then refunding the instalments paid by the beneficiary in connection with leasing of 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 the employment relationship;
g) purchase of a used fixed asset that was co-financed from the EU funds and/or from national public funds[2] during the previous 7 years (10 years for real property);
h) situations where the funds for pre-financing of the EU contribution had been obtained in the form of a loan which was later written off[3];
i) receiving for the eligible costs of the given project or part of the project non-refundable financial support from several sources (national, European or other) in a total amount exceeding 100% of eligible costs under the project or its part;
j) covering of the eligible costs of the project by both loan and guarantee support;
k) settlement of the same expenditure as part of indirect and direct project costs.

5. VAT (Goods and services tax)

5.1 VAT constitutes an 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 VAT Act shall not be deemed eligible, even if it was not actually recovered by the beneficiary, if there was a possibility to do so under legal regulations – in such case the VAT is always an ineligible cost).

5.2 The possibility to recover the VAT shall be determined pursuant to the VAT Act of March 11, 2004**.**

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

[3] Double financing shall relate only to the part of the loan or advance that has been written off.

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

5.4 The lack of a legal possibility to recover VAT occurs if the beneficiaries are not entitled to reduce the amount of output VAT (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:

a) The project does not or will not generate any revenues – the purchased goods, services or fixed assets are not used for taxed sale – or there is no direct, indisputable connection between the purchased goods, services or fixed assets and taxable operations.

b) The beneficiary is legally exempt from VAT.

c) The beneficiary performs only actions that are legally exempt from VAT.

5.5 A situation in which VAT is an eligible cost only for a part of the project is acceptable. If, as part of the proposed project, the beneficiary uses the purchased goods, services or fixed assets for the performance of actions that entitle it to reduce the output VAT by the input VAT as well as actions that do not entail such right, and if the beneficiary is able to determine the amount of input VAT connected with activities that do not entitle it to reduce the output VAT, the eligible cost may be only the part of the VAT that is connected to the activities that do not entitle the beneficiary to reduce the amount of output VAT by the amount of input VAT. 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.

5.6 If the beneficiary is unable to separate the total or partial amounts specified in item 5.5 and thus settles the VAT by reducing the amount of output VAT by the portion of the input VAT that can be proportionally assigned to activities that entitle it to reduce the amount of output VAT (the "sale coefficient" as defined in Art. 90(2) of the VAT Act of March 11, 2004), and in the case of purchasing goods and services used both for the purposes of the beneficiary's economic activities and for purposes other than business operations, when assigning those goods and services fully to the beneficiary's business operations is not possible, the amount of the input tax is calculated according to the method of specifying the scope of using the goods and services purchased for the purpose of business operations (the so-called pre-ratio as referred to in Art. 86(2a) of the VAT Act of March 11, 2004) then the VAT in such project constitutes an ineligible expenditure as a whole.

6. The rules of public procurement

6.1 A public contract is an agreement made for consideration and entered into between a contracting party and a contractor, whose object is providing services, supplies, or construction work.

6.2 All expenditures made as part of a project must be transparent, reasonable, and efficient, with the principles of achieving the best results from given expenditures being observed.

6.3 For contracts with an estimated value in excess of PLN 50,000 net, i.e. excluding VAT, the Beneficiary shall prepare and conduct procurement proceedings using a method that ensures transparency, fair competition, and equal treatment of contractors.

6.4 The above requirements are met through the application of:

1. Public Procurement Law Act of January 29, 2004 (Journal of Laws, 2015, item 2164, as amended), hereinafter referred to as the PPL Act, – for beneficiaries obliged pursuant to Art. 3 of the PPL Act to apply it,

or

2. the competitiveness principle defined in the *Cost Eligibility Guide for the European Regional Development Fund, the European Social Fund, and the Cohesion Fund for the years 2014–2020*, for beneficiaries who:

    a) are not the contracting party in the meaning of the PPL Act for contracts exceeding PLN 50,000 net, i.e. without VAT,

    b) are the contracting party in the meaning of the PPL Act for contracts whose value equals or is lower than the amount specified in Art. 4(8) of the PPL Act, which at the same time exceeds PLN 50,000 net, i.e. without VAT, or for sectoral contracts with a value lower than the amount specified in the regulations issued pursuant to Art. 11(8) of the PPL Act, which at the same time exceeds PLN 50,000 net, i.e. without VAT.

6.5 For contracts with a value of more than PLN 20,000 net and less than or equal to PLN 50,000 net, i.e. without VAT, the beneficiary must conduct and document market research according to the procedure described in the *Cost Eligibility Guide for the European Regional Development Fund, the European Social Fund, and the Cohesion Fund for the years 2014–2020*.

6.6 If, pursuant to the regulations in force other than the PPL Act, the application of the PPL Act is excluded, the beneficiary referred to in Art. 3 of the PPL Act conducts a public tender in line with those regulations.

6.7 If the beneficiary breaches the terms and procedures of public procurement, 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 Art. 24(13) of the Act of July 11, 2014 on the principles of conducting coherence policy programmes in the financial perspective 2014–2020 (Journal of Laws, 2014, item 1146, as amended).

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 ineligible costs**

Eligible costs of beneficiaries under the Measure 4.4 of the SG OP include the following cost categories:

Direct costs	Remuneration **(W)** Subcontracting **(E)** *Cross-financing* **(C)**: - stipends - fellowships - training courses Other direct costs **(Op)**, including: - costs of equipment and intangible assets - costs of land and buildings - other operational costs
Indirect costs **(O)**	

1. W – Remuneration costs

1.1 This category includes eligible **remuneration costs along with non-payroll labour costs**, such as social security and health insurance contributions of **individuals employed for conducting research** (research workers, technical personnel, and other auxiliary staff members) and **technology brokers**, as far as the remuneration is directly connected with the realisation of the project subject to co-financing.

1.2 Documenting the work performed for the project:

a) for **employment contracts – the payroll**
If the given employee is not involved in the project on a full-time basis, the eligible part of the remuneration is determined based on:

- **delegating** the employee to the project on a part-time basis, with the specification of their scope of duties within the project (optimal solution),

- **work time sheet** containing a description of the tasks performed – for employees who work for the co-financed project on an irregular basis;

b) for **contracts of mandate – the invoice,** list of duties within the project, acceptance protocol.

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

a) the resulting workload does not prevent the person from proper and effective performance of all tasks entrusted to him or her;
b) the total professional involvement of such person in the realisation of all projects financed from structural funds and activities financed from other sources, including own funds of the beneficiary and other entities, does not exceed 276 hours per month;
c) in the case of mandate contracts – the performance of tasks is confirmed by an acceptance protocol, confirming: the proper performance of tasks, fulfilment of the conditions specified under letters a) and b), and the number and specification of hours devoted to the performance of tasks under the project in the given month[1];
d) if that person performs tasks under an employment contract, and the documents related to hiring that person do not expressly indicate the number of working hours[2] – performing the tasks is confirmed in a protocol prepared by that person, showing: correct completion of the tasks, meeting the conditions referred to in letters a) and b) and the number and record of hours spent performing the tasks as part of the project in a given calendar month[3]

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

1.4 The following payroll and non-payroll elements of personnel remuneration constitute eligible costs**:**

a) base remuneration, bonuses and awards (apart from service anniversary awards), including appreciation bonuses resulting from the internal remuneration rules of the given organisation specifying uniform rules for all employees (also those not involved in the realisation of projects co-financed from the SG OP);

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[1] The protocol does not have to give information on the individual activities performed under a given agreement.
[2] The working hours should be indicated in detail "from (…) to (…)".
[3] The protocol does not have to give information on the individual activities performed under a given agreement.

b) task- or function-related allowance for tasks or duties in the project, provided that the base remuneration of the worker receiving the task- or function-related allowance is not financed from the funds of the project co-financed from the SG OP;
c) function allowance for performing managerial functions in the given organisation;
d) special allowance resulting from the specificity and nature of the performed tasks;
e) allowance for long-term work;
f) remuneration for the period of holiday leave (proportionally to the percentage of involvement of the given employee in the realisation 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);
g) remuneration for the period of inability to work pursuant to applicable social security regulations (proportionally to the percentage of involvement of the given employee in the realisation 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 occurred);
h) additional annual remuneration[4] 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;
i) contributions for:
    - pension security, including the Employee Pension Plan,
    - disability insurance,
    - sickness insurance,
    - health insurance,
    - accident insurance;
j) Labour Fund contributions;
k) contribution for the Guaranteed Employment Benefit Fund;
l) advance personal income tax payment.

1.5 The part of the remuneration that can be deemed eligible is the part representing the percentage involvement of the worker in tasks related to project delivery, measured pro rata to the working time used for the above tasks. In the case of those components of remuneration that are related to the employment proportion, the part of remuneration that can be deemed eligible is the one representing the percentage involvement of the worker in tasks related to project delivery.

1.6 Expenditures for staff remuneration shall be eligible provided their amounts match the rates that are actually applied by the beneficiary outside of the projects co-financed from structural funds and CF in similar job positions or in job positions that require similar qualifications. This also regards other components of staff remuneration, including awards and bonuses.

1.7 If the ratio of work done by the beneficiary's worker only partially includes project tasks (e.g. ½ FTE, ¼ FTE as part of the project), the expenditures related to remuneration under the project are eligible, provided:
   a) the tasks related to project delivery are explicitly specified in the employment contract or in the scope of the worker's duties or his/her job description,
   b) the scope of tasks related to project delivery provides the basis for specifying the proportions in which the worker is actually involved in project delivery compared to the working time indicated in his/her employment contract,
   c) the expenditure related to project staff remuneration matches the proportions referred to in letter b, unless the scope of responsibilities, complexity, or the level of competencies required in a given job position justifies the difference in the share of the expenditure to the working time under the employment relationship.

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

1.8 If the allowance referred to in section 1.4 letters b)-d) is granted, the amount of the allowance depends on the scope of additional duties[5]; however, if tasks are performed in several projects with the same beneficiary, the project staff is granted only one allowance, settled pro rata to the worker's involvement in a given project.

1.9 The allowances referred to in section 1.4 letters b)-d) shall be eligible up to the amount of 40% of the basic remuneration[6] including the non-remuneration cost of work, provided that exceeding that limit may result solely from acts of generally applicable law.

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 beneficiary 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 contracts for the performance of specific work should also be settled within this category.

<u>NOTE:</u> In the case of contracts for the performance of specific work the performance of tasks has to be confirmed by an acceptance protocol, confirming the material result of the work performed.

Subcontracting costs are excluded from the basis for calculating the lump sum of indirect costs of the project.

NOTE: <u>The call for proposals documentation may specify a limit for the E category, defined as a specific percentage of eligible costs.</u>

3. C – *Cross-financing*

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

a) **stipends** for graduate and doctoral students involved in conducting research under the given project;

b) **fellowships** of scientists or research team workers to the extent related to the research work conducted in the project, commercialisation of the research results, or work related to modern technologies or project management;

c) **training** for scientists or research team workers to the extent related to the research work conducted in the project, commercialisation of the research results, or work related to modern technologies or project management.

3.2 NOTE: As far as ***cross-financing costs*** **(category C) are concerned,** the total amount of eligible expenditures in the project must not exceed **30% of the total eligible costs of the project.**

3.3 Cross-financing **costs are excluded from the basis for calculating the lump sum of indirect costs of the project.**

4. Op – other direct costs

4.1 Costs of research and development equipment and intangible assets

[5] The "scope of additional duties" shall 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.
[6] Meaning remuneration – in line with the rules of remuneration in a given institution.

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

a) expenditures for the purchase of **low-cost research equipment** (i.e. equipment of a value not exceeding PLN 500 000.00 for the exact sciences, technologies and life sciences or PLN 150 000.00 for humanities and social sciences) necessary for the realisation of the project – **up to 5% of the total eligible costs of the project;**

NOTE 1: The application for funding should list the planned purchases of low-cost research 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 be unreasonable from the economic point of view. Planned purchases of low-cost research equipment shall be subject to evaluation by experts.

NOTE 2: During the realisation of the Homing/Powroty project in the First Team competition, the beneficiary may submit to the Foundation for Polish Science an application for the purchase of specialist equipment, provided that:

i. the application shall be submitted on demand of the Foundation for Polish Science, within the periods specified by the Foundation for Polish Science,
ii. the application shall be subject to evaluation by experts appointed specially for this purpose,
iii. the application shall be considered taking into account, among other things, the analysis of available similar equipment in Poland, based on available lists and equipment databases,
iv. a representative of the National Centre for Research and Development shall participate in the session of the evaluating panel as an observer,
v. consent for the purchase of specialist equipment cannot be granted to projects realised with the participation of a scientific unit that has already received significant funding for research equipment under the *Innovative Economy Operational Programme* (IE OP) *or the Infrastructure and Environment Operational Programme* (IaE OP) with respect to the scope of research conducted in the project. The Foundation for Polish Science shall consult the applications for the purchase of specialist equipment from such units with the Intermediate body for Axis IV of the SG OP (NCRD), in particular in order to confirm the receipt of significant funding and to confirm that the thematic scope of the project coincides with the purpose for purchase of equipment under the IE OP or the IaE OP.

b) expenditures on **transport, installation and start-up of** the research 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 equipment purchased under the project, provided that **these expenditures do not increase the initial value of the tangible fixed asset pursuant to the Accounting Act;**

c) expenditures on the **modernisation of research equipment, devices and other elements of laboratory equipment** owned by the beneficiary or granted for use free of charge – only **upon written consent of the Foundation for Polish Science;**

d) 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 patent, expert opinions, analyses and research reports, etc.

e) depreciation expenses or costs of paid use of:

i. **research 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 patent, expert opinions, analyses and research reports, etc.

within the scope and during the period necessary for the realisation of the project.

4.1.2 Depreciation

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

a) at the moment of purchasing, the equipment meets the definition of a fixed asset (in line with Art. 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 realisation 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 expenses have been calculated in compliance with accounting laws and in compliance with the accounting policy of the entity;
e) the eligible value of depreciation expenses refers only to the period of realisation of the project;
f) if the equipment or IA is also used for purposes other than the project realisation, then only the part of the depreciation expense corresponding to the proportional use of the asset in the project realisation 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 expenses 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 realisation of the project does not constitute an eligible cost.

4.1.3 Paid use of equipment/IA

4.1.3.1 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 delivery.

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

4.1.3.3 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 project proposal by the beneficiary;
b) the market value of the goods subject to leasing specified in the valuation prepared by a certified appraiser or in the valuation prepared based on the methodology presented by the beneficiary – for goods purchased earlier than 12 months prior to submission of the project proposal by the beneficiary. 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 charges falling in the period of project delivery.

4.2 Costs of land and buildings

4.2.1 Costs of land and buildings are eligible within the scope and during the period necessary for the realisation of the project.

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

a) **land lease** – only lease instalments, without interest;

b) **perpetual usufruct of land –** only perpetual usufruct fees, without interest;

c) **depreciation of buildings**[7] **–** if the buildings are also used for purposes other than the project realisation, then only the part of the depreciation expense corresponding to the proportional use of the buildings for the project delivery**;**

d) expenses connected with **adapting the laboratory space** owned by the beneficiary.

4.2.3 As far as the **costs of land and buildings** specified above (in particular: land lease, perpetual usufruct of land, depreciation of buildings, and adaptation of laboratory space) are concerned, the total amount of eligible expenditures in the project **must not exceed 10%** of the total **eligible costs of the project.**

4.3 Other operational costs

4.3.1 Other operational costs include, among others, the costs of materials, consumables and similar products, incurred in direct connection with the project delivery.

4.3.2 The following types of costs 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 assets pursuant to the Accounting Act and the accounting policy adopted);

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 laboratory equipment)[8];

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 and costs of **presentation of project results during conferences** (without business travel expenses that should be settled as part of indirect costs);

g) costs of **intellectual property management;**

h) **operating costs of research equipment** owned by the unit realising the project or granted for use to such unit free of charge;

i) costs **of international co-operation within the project and co-operation with businesses** (including the costs of realisation of part of the project under the supervision of a person delegated from a unit in a partner unit abroad or in a different unit co-operating within the project);

j) **project promotion costs** (informational/promotional materials, website costs, etc. - without business travel expenses that should be settled as part of indirect costs) **up to 1% of the eligible costs of the project;**

[7] If the building is also used in the project for administrative purposes, the cost of depreciation of the building should be divided between the costs of buildings and land and the indirect costs pro rata to its use in order to deliver content-related works as part of the project.

[8] The costs of lease of spaces other than laboratory space shall be covered within the lump sum of indirect costs. The costs of renting the laboratory including the equipment shall be deemed to constitute subcontracting.

k) **cost of external audit** if the audit started after incurring of at least 50% but not later than 80% of the planned expenditures connected with the project realisation.

5. O – Indirect costs

5.1 Indirect costs include, among others, the following types of costs:

a) Building lease or maintenance costs, including:
- building lease, rent or depreciation costs;
- utility costs (electricity, gas, water charges etc.)
- cleaning and security costs of the premises;
- costs of adapting the premises for the purposes of realisation of the project;
- 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 service, telephones, Internet, courier mail 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-payroll elements of remuneration, of management and administrative personnel, including:
- Costs of remuneration, including non-payroll elements of remuneration, of project management personnel;
- Costs of remuneration, including non-payroll elements of remuneration, of service personnel (e.g. human resources, finance, accounting, administration services);

d) Travel expenses of persons involved in the realisation of the project.

5.2 Indirect costs incurred in connection with the realisation of the co-financed project are settled on a lump sum basis, as a percentage of the direct costs with the exclusion of subcontracting costs (category E) and *cross-financing* costs (category C), pursuant to the following formula:

O = (W + Op) x max 17%

5.3 Costs settled on a lump sum basis shall be deemed expenditures incurred. For the purposes of the project, the beneficiary is not obliged to collect or annotate accounting documents in order to confirm the incurred expenditures that have been settled as indirect costs.

5.4 NOTE: Costs settled on a lump sum basis as part of indirect costs must not be listed as part of the direct costs of the project (in the W, E, C and Op categories).

Appendix No. 2. Catalogue of ineligible costs for units not being beneficiaries of state aid.

Ineligible costs include, among others:

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, *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 the Guidelines on the eligibility of expenditures under the Smart Growth Operational Programme 2014–2020;*
3. undocumented or inappropriately documented costs;
4. Goods and services tax (VAT) that may be recovered pursuant to the VAT Act of March 11, 2004 and regulations under the act;
5. Commissions collected as part of foreign exchange transactions;
6. Costs of maintaining bank accounts;
7. Costs incurred in connection with the establishment of security for proper performance of the obligations resulting from the grant agreement, with the exception of expenditures on the establishment of security if the beneficiary realising the proposed project receives funding in the form of an advance payment, which have been provided for in the aid programme or in the terms and conditions of the call for proposals (if the security is required under the grant agreement);
8. 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 the business or are connected with ongoing operational expenses of the beneficiary;
9. Expenditures incurred pursuant to the *cross-financing* principle that exceed the limit specified for the given project;
10. Interest charged on debt;
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 beneficiary or rights to which the beneficiary is entitled by means of a debit note;
14. Expenditures connected with the functioning of a disputes committee, expenditures related to court proceedings (including expenditures on the preparation and legal handling of court proceedings) and the costs of realisation of any decisions that may be issued by a court or by a disputes committee;
15. Expenditures on the purchase of a second-hand fixed tangible asset that had been financed from EU funds or national subsidies for the preceding 7 years (10 years in case of real property)[1];
16. Expenditures incurred on the purchase of developed or undeveloped real property, perpetual usufruct right or the acquisition of other legal title to real property (e.g. limited property rights: lease, tenancy, usufruct) exceeding 10% of the total eligible costs of the project;
17. Expenditures connected with filling out the project application for all projects and the application for confirmation of financial contribution – for large projects;

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

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 co-financing obtained or applied for, paid by the beneficiary;
19. Cost of external audits of expenditures on science if the audit started before realisation of 50% or after realisation of 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, which is not deductible or recoverable pursuant to the VAT Act of March 11, 2004 and represents an eligible expenditure, and the beneficiary has made a statement on the eligibility of VAT, profit margin of the financing entity, interest on cost refinancing, insurance fees, overall costs, costs of assembly and adaptation of tangible fixed assets for use and costs of replacement parts connected with the leased equipment;
21. Transactions of a value exceeding PLN 15 000 settled in cash (regardless of the number of payments pursuant to the given transaction), in connection with the obligation specified in Art. 22 of the Business Freedom Act of July 2, 2004;
22. The following payroll and non-payroll elements of remuneration:
    a) anniversary bonus;
    b) equivalent for unused holiday leave;
    c) group life insurance contribution (treated as taxable income of the employee);
    d) additional health subsidy;
    e) cash equivalent (e.g.: reduced payment for electricity);
    f) electricity subsidy (treated as taxable income of the employee);
    g) use of company car – commuting to/from work and home;
    h) deductions for the Company Social Benefit Fund;
    i) benefits realised 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 the applicable social security regulations;
    l) remuneration for overtime work;
    m) costs of initial and periodic medical examinations;
    n) glasses subsidy;
    o) 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;
    p) food vouchers for employees;
    q) contributions for the State Fund for Rehabilitation of Disabled Persons (PFRON);
    r) redundancy pay for employees of the project;
    s) retirement/pension severance pay;
    t) holiday leave subsidies.

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 part or in whole.