Workshop “INTERREG programmes – financial management”

EC Rules on Eligibility

Ieva Kalniņa

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Eligibility rules (EC) 448/2004, Annex

- Rule No 1: Expenditure actually paid out
- Rule No 2: Accounting treatment of receipts
- Rule No 3: Financial and other charges and legal expenses
- Rule No 4: Purchase of second hand equipment
- Rule No 5: Purchase of land
- Rule No 6: Purchase of real estate
- Rule No 7: VAT and other taxes and charges
- Rule No 8: Venture capital and loan funds
- Rule No 9: Guarantee funds
- Rule No 10: Leasing
- Rule No 11: Costs incurred in managing and implementing Structural Funds
- Rule No 12: Eligibility of expenditure depending on the location

Rule No 1: Expenditure actually paid out

Payments shall be in cash, executed by final beneficiaries and supported by proof of expenditure (proper audit trail)

Exceptions (MS may decide to treat these stricter):

- Depreciation of real estate or equipment
- Contributions in kind
- Overheads

Sub-contracting

Rule No 1: Expenditure actually paid out

Depreciation of real estate or equipment

Only if the purchase has not been financed from the EU or public grants

The costs are properly calculated – according to national accountancy rules

The costs relate to eligible project period

Examples: The costs of renting the car from the institution for the project purposes may include depreciation costs if rate per km is calculated. The logistical support (including IT and other equipment) for project purposes may be included in the overhead calculation taking into account depreciation.

Rule No 1: Expenditure actually paid out

Contributions in kind

- Provision of land or real estate, equipment or materials, research or professional activity, or unpaid voluntary work
- Limited to amount of co-financing (cannot exceed the 25% of the total eligible project costs, in cooperation projects – monitored on a partner level)
- Value established by independent body (human resource agencies / auditors) and audited
- Typically – voluntary work provided by NGOs.

Rule No 1: Expenditure actually paid out

Overheads

- Based on real costs related to the project implementation
- Allocation on a pro-rata basis to staff or other costs
- Duly justified fair and equitable method of calculation
- Examples: rental costs, cleaning costs, IT service costs, general administrative support

Rule No 1: Expenditure actually paid out

Sub-contracting

- Based on tenders (negotiations), contracts & invoices
- If it does not add extra costs to execution of operation without adding proportionate value to it
- Contracts based on percentage of the total costs of operation are generally ineligible
- Sub-contractors are bound to provide the project related information to the auditors & controllers

No sub-contracting of partners!

Rule No 2: Accounting treatment of receipts

- Receipts = revenue from sales, rentals, services, enrolment/ fees or equivalent
- During the project or – if so determined by the Member State – after the closure
- Properly accounted for
- Exceptions – e.g. if it is a private contribution to the co-financing of operations alongside with public co-financing listed in the CIP
- Deducted from the operation’s eligible expenditure in their entirety or pro rata (in case generated partly by the co-financed operation)
- Examples: conference / training fees, selling the IT solutions created as a result of the project

Rule No 3: Financial and other charges and legal expenses

Not eligible

Exceptions:

- Charges for transnational financial transactions (after deducting the interest received on payment on account)
- If opening of a separate account is required for the implementation of the operation, the bank charges for opening and administering an account
- Losses due to currency exchange – not eligible
- Bank guarantees – only if included in Commission decision

Rule No 4: Purchase of second hand equipment

Eligible under the following conditions:

- The seller provides evidence of origin and that at no point during the previous seven years it has been purchased with the aid of national or Community grants
- The price of the equipment does not exceed its market value and is in any case less than the cost of a similar new equipment
- The equipment has technical characteristics necessary for the operation and complies with the applicable norms and standards

National rules may be stricter!

Rule No 5: Purchase of land not built on

Eligible if

There is a direct link between the land purchase and the objectives of the operation

Except for environmental conservation operations, the costs of land purchase may not exceed 10% of the total eligible expenditure unless a higher % is fixed in the COM decision (CIP)

A certificate is obtained that the purchase does not exceed the market value

Environmental conservation operation

If such are envisaged in the CIP

National rules may be stricter!

Rule No 6: Purchase of a real estate

- Eligible if there is a direct link between the purchase and the objectives of the operation
- Under conditions
- National rules may be stricter!

Rule No 7: VAT and other taxes and charges

- **Not eligible unless genuinely and definitively borne by the final beneficiary or individual recipient**
  - Social security contributions and direct taxes covered as part of partner staff costs in INTERREG operations – eligible
- **VAT – not eligible if can be recovered**
- **VAT – not eligible even if not recovered in real life**
- **Community co-financing may not exceed total eligible expenditure excluding VAT**

Rule No 8: Venture capital and loan funds

Rule No 9: Guarantee funds

Rule No 10: Leasing

Usually not applicable in INTERREG

Rule No 11: Costs incurred in managing and implementing Structural Funds

Point 4 – expenditure by public administrations relating to the execution of operations

If they do not relate to the statutory responsibilities of the public authority, the costs related to the implementation of the operation are eligible

Rule No 12: Eligibility of operations depending on the location

- Limited to the region for which the assistance has been granted
- INTERREG territories
- Adjoining areas in INTERREG IIIA
- Activities outside EU & costs for third country partners (Ukraine, Belarus)