

VADEMECUM H2020

# HORIZON 2020

## **DIRECT PERSONNEL COSTS**

*Application of H2020 principles to  
the calculation of actual personnel costs  
(for the purpose of financial reporting to  
the EC) in the Czech environment*

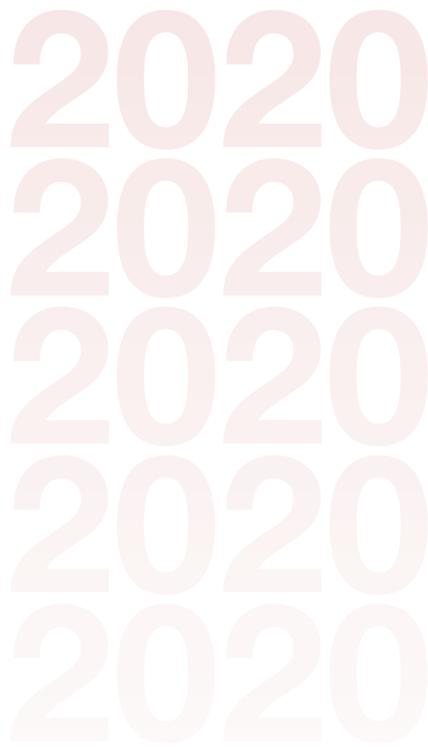


# HORIZONT 2020 2020

## DIRECT PERSONNEL COSTS – EXAMPLES

*Application of H2020 principles to  
the calculation of actual personnel costs  
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the EC) in the Czech environment*

Lenka Chvojková



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Dear reader,

personnel costs constitute the most significant part of eligible costs in H2020 actions. Therefore, they are at the forefront of attention of both the European Commission (EC) and the beneficiaries. Due to the international character of H2020 actions, different types of entities involved, and various remuneration practices of beneficiaries across participating countries, it is not an easy task for the European Commission to provide a common set of rules and explanations. Consequently, H2020 rules for personnel costs may seem too complex. High audit error rate and administrative burden is a serious concern of the EC and beneficiaries.

The interpretation of rules for personnel costs has developed significantly since the launch of Horizon 2020. **In 2017, the EC began to distinguish between two ways of remuneration of researchers – project-based remuneration and not project-based remuneration.** It has been quite challenging for the Czech beneficiaries to understand the correct application of the new rules and use them in line with their usual management and accounting practices (which often seem different from those in other EU member states). The Czech beneficiaries consider H2020 rules on personnel costs too complex, unclear, administratively heavy and leading to ambiguous interpretation. This brochure was prepared in order to tackle this issue. It contains fictitious examples to demonstrate the H2020 rules and mechanisms for the calculation of personnel costs for financial reporting to the EC, while **concentrating on the application of the rules in the Czech environment.**

The information provided is based on the updated text of the Model Grant Agreement (MGA, version 4.0. from the 27th of February 2017) and the Annotated Grant Agreement (AGA, version 4.0. from the 21th of April 2017), in which the EC began to distinguish between project-based and not project-based remuneration. Further details about the H2020 financial rules can be found in these documents ([updated versions](#)) or in [the financial brochure of the Technology Centre CAS](#).

We hope this information will be helpful to you and we wish you success in cost reporting in H2020 projects. Further questions or comments are welcome at [finance@tc.cz](mailto:finance@tc.cz).

January 2019

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Technology Centre CAS

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**Disclaimer:** Note that the examples mentioned below have only informative character and do not constitute a legally binding interpretation of the MGA. Due to different circumstances, which can be decisive for the application of the method of personnel cost calculation, real situations may differ from the examples mentioned below in small details. These examples cannot be used without a broader understanding of beneficiaries' usual practices and other relevant aspects. The Technology Centre CAS is not responsible for any potential damage caused by use of this information.

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## DICTIONARY

Accounting year	Účetní rok
Accounts of the beneficiary	Účetnictví příjemce
Additional remuneration	Dodatečná odměna
Agreement to perform work	Dohoda o pracovní činnosti
Agreement to complete a job	Dohoda o provedení práce
Arbitrary bonus	Nahodilá odměna
Base pay	Základ
Basic remuneration	Základní odměna
Bonus	Odměna / bonus
Cost centre	Středisko projektu
Double ceiling	Pravidlo dvojitého stropu
Double financing	Dvojití financování
Employee salary statement	Mzdový výměr
Employment contract (Work contract)	Pracovní smlouva
Evaluation form	Hodnoticí formulář
H2020 action reference rate	Projektová referenční sazba
Internal accounting transfer	Interní přeúčtování
Internal payroll regulation of the beneficiary	Vnitřní mzdové předpisy/ směrnice
Leadership bonus	Příplatek za vedení
Merit pay	Osobní ohodnocení
National projects reference rate	Národní referenční sazba
Not project-based remuneration	Neprojektové financování
Productive hours	Produktivní hodiny
Project-based remuneration	Projektové financování
Salary / wage / remuneration	Plat / mzda / odměňování
Separate / additional / parallel contract	Dodatečná (paralelní) smlouva
Super-gross salary	Super-hrubá mzda
Time worked / work load	Odpracovaná doba / výše úvazku

## USED ABBREVIATIONS

AGA	Annotated grant agreement
CSA	Coordination and support actions
EC	European Commission
ECB	European Central Bank
ERC	European Research Council actions
EU	European Union
IA	Innovation actions
MGA	Model grant agreement
MSCA	Marie Skłodowska-Curie actions
RIA	Research and innovation actions

## I. H2020 RULES AND CZECH PRACTICES

In order to understand the application of H2020 rules in the Czech environment, it is necessary to understand rules stipulated by the EC and the Czech law, as well as common management and accounting practices used by Czech beneficiaries. Therefore, in the first chapter, types of contracts according to the Czech Labor Code are defined and categories of personnel costs with compulsory eligible conditions defined by the EC are explained. Furthermore, differences between project-based and not project-based remuneration are explained and demonstrated in different situations and mandatory formulas, and instructions for the calculation of eligible personnel costs are provided as well.

It is important to stress that the calculations explained in this brochure are **compulsory only for personnel-costs reporting** (i.e. filing of financial statements after the end of the reporting period). For the purposes of project-proposal preparation, it is sufficient to only provide an estimation of the amount of personnel costs (based on historical data of the beneficiary, the experience of personnel working in the action, and other aspects, such as an assumption of future inflation, salary increases, fluctuations of exchange rates, etc.).

Furthermore, it needs to be stressed that the remuneration of researchers working in H2020 action has to be based on management and accounting practices of the beneficiary. In other words, **H2020 does not pay salaries to researchers but reimburses costs incurred by the beneficiaries based on their remuneration practices** (i.e. mandatory formulas do not define the amount of the salary a beneficiary should pay to a researcher but the amount of money that will be reimbursed to the beneficiary in the action).

The described financial principles are only applicable to **actual personnel costs**; personnel costs covered by unit costs, e.g. Marie Skłodowska-Curie actions (MSCA), or lump sums are not covered here. Typically, it can be used for research and innovation actions (RIA), innovation actions (IA), and coordination and support actions (CSA). The same principles can be applied to European Research Council actions (ERC), too.

This brochure is practically oriented. Therefore, not all theoretical background is provided. Further details about the financial rules of H2020 can be found in the Annotated Grant Agreement ([AGA, updated versions](#)) or in the [financial brochure of the Technology Centre CAS](#).

## 1 TYPES OF CONTRACTS AND TYPES OF COSTS

In the Czech Republic, a beneficiary and a researcher can sign the following three types of contracts defined by the Labour Code:

- **WORK CONTRACT** (sometime translated as Employment contract) or
- **AGREEMENT TO COMPLETE A JOB** or
- **AGREEMENT TO PERFORM WORK.**

Based on the rules for personnel costs of H2020, the work/employment contract is always considered “**Direct personnel costs: Employees (or equivalent)** (Article 6.2.A.1 of MGA)” and both Agreements can be considered “**Direct personnel costs: Natural persons with direct contract** (Article 6.2.A.2 of MGA)”<sup>1</sup>. For this reason, this document pays attention to these two categories of personnel costs.

### REMARK FROM THE TECHNOLOGY CENTRE CAS:

There are continuous discussions between the EC, beneficiaries, and auditors **whether Czech Agreements are covered by Article 6.2.A.1 (employees) or 6.2.A.2 (natural persons)** of the MGA. Some Czech stakeholders are in favour of the first option (in addition to other things because a beneficiary and a researcher that enter into these contracts are defined in the Labour Code as an Employee and Employer). Meanwhile the EC is in favour of the second one (in addition to other things because an employment contract covers personnel working for a beneficiary under an employment contract whilst Agreements are dependent on labour relationship other than employment contracts).

<sup>1</sup> To qualify a non-employment contract as compliant with Article 6.2.A.2, the costs must comply with eligibility conditions defined in the AGA – i.e. to fulfil the general conditions, and for the costs to be eligible, **the person must work under conditions similar to those of an employee**, the result of the work carried out must in principle belong to the beneficiary, and the costs are not significantly different from those for personnel performing similar tasks under an employment contract with the beneficiary (the remuneration must be based on working time rather than on delivering specific outputs/products). These conditions are verified on a case-by case basis. If the contract does not fulfil the conditions of Article 6.2.A.2, the costs may still be eligible as a purchase of services or subcontracting, but not as personnel costs. Czech experience shows that Agreements usually fulfil the eligibility conditions mentioned above and therefore can be considered as personnel costs.

In any case, the **costs of natural persons working under a direct contract for a beneficiary must be calculated according to the same rules as costs for employees**, i.e. an hourly rate<sup>2</sup> multiplied by the number of actual hours worked on the action, depending on the type of the remuneration (project-based vs not project-based, see chapter 1.4). Therefore, the effort to determine whether Czech Agreements are covered by Article 6.2.A.1 or 6.2.A.2 of the MGA does not have any effect on the calculation of personnel costs, i.e. the calculation is always the same.

According to the financial rules of H2020, direct personnel costs can also be:

- Seconded personnel (third-party in-kind contribution against payment) (6.2.A.3)
- SME owners and natural persons not receiving a salary (6.2.A.4 and 6.2.A.5)
- Access to research infrastructure personnel costs (6.2.A.6)

However, no attention is given to these categories in this brochure.

## 2 ELIGIBILITY CONDITIONS

Personnel costs for employees who work in an action cover not only the gross salary but also the social security and health insurance paid by the beneficiary (i.e. **super-gross salary**).

The costs for employees must comply with **H2020 eligibility conditions**, e.g.:

- fulfil the general conditions for costs to be eligible (i.e. incurred during the action duration, necessary, etc.),
- be paid in accordance with national law and the employment contract,
- be consistently applied regardless of the source of funding, and

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<sup>2</sup> There are specific explanations in the AGA about **the calculation of the hourly rates** for natural persons, i.e. beneficiaries must use one of the following options:

- if **the contract specifies an hourly rate**: this hourly rate must be used
- if **the contract states a fixed amount** for the work and **the number of hours to be worked**: the global amount for the work must be divided by the number of hours to be worked
- if **the contract states a fixed amount** for the work but does not specify the number of hours to be worked: the global amount for the work must be divided by the **pro-rata of 1 720** annual productive hours which corresponds to the duration of the contract over the financial year.

- exclude bonuses <sup>3</sup>, which are not a part of the beneficiary's remuneration practices and/or which are **not based on objective conditions** (i.e. arbitrary bonuses).

### TIP FROM THE TECHNOLOGY CENTRE CAS:

To avoid the ineligibility of personnel costs/bonuses, it is recommended that Czech beneficiaries include the salary components in the **employee's salary statement** ("mzdový výměr") (which forms an integral part of the employment contract)<sup>4</sup> or at least describe the remuneration in the **internal payroll regulation of the beneficiary** ("vnitřní mzdové předpisy/směrice") (at least to define the conditions for a bonus payment in the payroll regulation with a reference to the **evaluation form** of the researcher that will specify the particular amount). <sup>5</sup>

## 3 REMUNERATION PRACTICES OF THE BENEFICIARY

Calculation of personnel costs for H2020 actions differs (per beneficiary/employee) depending on the remuneration practices of the beneficiary. There are two ways of employees'/ researchers' <sup>6</sup> remuneration:

- **PROJECT-BASED** = wage/salary/remuneration <sup>7</sup> of the researcher differ depending on her/his participation in specific projects (different remuneration levels, depending on whether the person works on specific projects or not):

<sup>3</sup> To simplify, only the term "bonus" will be used in the text below ("odměna/bonus").

<sup>4</sup> see: List of issues applicable to particular countries: [http://ec.europa.eu/research/participants/data/ref/h2020/grants\\_manual/amga/h2020-issues-list-countries\\_en.pdf](http://ec.europa.eu/research/participants/data/ref/h2020/grants_manual/amga/h2020-issues-list-countries_en.pdf) : "Czech Republic: *Bonuses whose amount is set in the salary statement, and thereby become an unconditional salary entitlement for the employee, can be considered mandatory complements to the basic salary and qualify as basic remuneration under H2020.*" However, this does not imply that they become automatically eligible as, in some cases, they might breach other eligibility conditions (e.g. being reasonable and compliant with the principles of sound financial management). Nonetheless, **including those bonuses in the employee's salary statement indeed increases legal certainty about their potential eligibility.**

<sup>5</sup> **Existence of internal regulations increases legal certainty.** However, the final eligibility of the bonus cannot be prejudged because it depends on **objective criteria applied to the evaluation form** to decide who receives how much and whether the criteria are actually applied as described in the internal regulation. Those elements can be verified during an audit, so they are elements for which no ex-ante clearance can be given. Be also aware that an "explanation" would not be considered sufficient evidence justifying that the bonus is a part of the usual remuneration practices of the beneficiary, and based on objective conditions.

<sup>6</sup> To simplify, only the term „researcher“ will be used in the text below.

<sup>7</sup> To simplify, only the terms „salary/remuneration“ will be used in the text below.

## DIRECT PERSONNEL COSTS – EXAMPLES

- **Separate** (additional, parallel, supplementary) **employment contract/Agreement** for the work of the person in a Horizon 2020 action (with a different hourly rate than the hourly rate of the other employment contract)
- Payment of **bonuses** for work in specific projects (based on the internal payroll regulation of the beneficiary)
- **Specific hourly rate** to be **paid** for work on specific projects (based on the employment contract)
- **Increase of the salary** of a researcher charged only to an H2020 source

➡ uneven distribution of salary/bonuses among financial sources (different hourly rates in different projects)

- **NOT PROJECT-BASED** = salary/bonuses of researchers do not differ with participation in specific projects (same remuneration, regardless of whether or not they are involved in specific projects)

➡ salary/bonuses proportionally distributed among financial sources according to the time worked/workload ("*odpracované doby/výše úvazku*")<sup>8</sup>

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<sup>8</sup> Be aware that **H2020 personnel costs must be based on the number of hours actually worked for the actions**, not on cost allocation. In order to be sure that the "distribution" fulfils the requirements to qualify as not project-based, this "distribution" must be done according to the time worked, not "according to the workload". The "workload" may be based on a subjective estimation and not be linked to the actual time dedicated to the different projects; which would risk making the remuneration to qualify as project-based. However, Czech experience shows that an employment contract can define the workload and in that case the numbers of hours actually worked has to equal the workload in the given period.

**EXAMPLES OF PROJECT-BASED AND NOT PROJECT-BASED REMUNERATION:**

1. Researcher has an employment contract – works full-time on an H2020 action.
  - Existing employee (the researcher has a financial history in the organization)
    - Still the same salary as before the start of the H2020 action = NOT PROJECT-BASED
    - The salary was increased in connection with the start of the H2020 action (it is irrelevant whether the increase was done within an existing employment contract or under a newly signed one) = PROJECT-BASED → [Example 6](#)<sup>9</sup>
    - The salary was increased at the start of the H2020 action, but not due to the participation in the project but due to a usual practice of the organization to increase a merit pay (“osobní ohodnocení”) every year on a specific date = NOT PROJECT-BASED → [Example 4](#)
  - New employee (the researcher has no financial history in the organization)<sup>10</sup>
    - Still the same salary during the whole duration of the H2020 action = NOT PROJECT-BASED → [Example 5](#)
    - The salary was increased within the duration of the H2020 action = NOT PROJECT-BASED, however the auditor will consider whether the increase was due to the objective criteria (i.e. increase of the base pay (“tarif”) based on the number of years worked, increase of merit pay based on the internal payroll regulation etc.) and not only due to the participation in the H2020 action.
2. Researcher has an employment contract – works part-time on an H2020 action – has a financial history at the beneficiary.
  - The salary was increased in connection with the start of the H2020 action – increase of the merit pay<sup>11</sup> (indicated in the employee's salary statement, based on an internal payroll regulation, or based on other objective conditions) charged to the H2020 source = PROJECT BASED → [Example 2](#)

<sup>9</sup> The situation could qualify as project-based remuneration when the increase of the salary is due to the participation in the Horizon 2020 action (change to a higher paid job position is triggered by the researcher's involvement in the EU action), and the salary increase concerns only the time the person works in the Horizon 2020 action. However, be aware that if the increase of the salary is general for all activities of the employee, the remuneration would not be project-based. For example: the person gets a promotion because of her/his new role in the work for the H2020 action. The salary increase due to the promotion will apply from then on to all her/his activities (whether in the action or elsewhere) and will last beyond the life of the project. In that case, the salary increase would not be project-based, even if the main trigger of it was the participation in the project. In other words, it should be verified if there really is a fluctuation of the salary of this person depending on his/her participation in specific projects. If the researcher receives different remuneration levels depending on whether s/he works in specific projects or not, it is considered project-based.

<sup>10</sup> In the case of an audit, the level of hourly rate is compared with the hourly rate of other researchers in the same position/with the same qualification or with the hourly rate of the relevant researcher at her/his previous employer.

<sup>11</sup> To simplify, only the term “merit pay“ will be used in the text below (“osobní ohodnocení/výkonnostní příplatek”).

- The salary was increased at the start of the H2020 action - increase of the merit pay (indicated in the employee's salary statement, based on an internal payroll regulation, or based on other objective conditions) charged proportionally to all financial sources according to the time worked = NOT PROJECT-BASED → **Example 1**
  - Payment of bonuses for a participation in international collaborative projects to the researcher based on an internal payroll regulation of the beneficiary (objective conditions for the payment are set in the regulation), charged only to the H2020 source = PROJECT BASED → **Example 3**
  - Payment of bonuses for a participation in any research projects to the researcher based on an internal payroll regulation of the beneficiary (objective conditions for payment are set in the regulation) and charged only to the H2020 source = PROJECT BASED
  - Payment of bonuses for a participation in EU H2020 actions to the researcher based on an internal payroll regulation of the beneficiary (objective conditions for payment are set in the regulation) and charged proportionally to all sources according to the time worked = INELIGIBLE <sup>12</sup>
  - Researcher received an ad hoc bonus for work in an H2020 action without any objective criteria for payment (there is no internal payroll regulation and no evaluation form) = INELIGIBLE
  - Researcher's salary didn't change at the start of an H2020 action. It has remained the same during the whole duration of the H2020 action (total amount of the salary unchanged) = NOT PROJECT-BASED; increase of salary during the third year of the H2020 action:
    - increase of the base pay or of the merit pay charged proportionally to all sources according to the time worked = NOT PROJECT-BASED
    - increase of the salary by receiving a bonus based on the newly introduced internal payroll regulation; the bonus is paid out for the participation in international collaborative projects and is charged to the H2020 source = PROJECT-BASED
3. The hourly rate of an H2020 action (based on an employee's salary statement) is different (higher or lower) from the hourly rate of other activities of the researcher under the same employment contract = PROJECT BASED
  4. Researcher has an employment contract and an Agreement to complete a job (at the same time) <sup>13</sup> – s/he works in an H2020 action under the Agreement to complete a job – let us assume that the hourly rate under the Agreement to complete a job is different (higher or lower) from the hourly rate under the employment contract = PROJECT BASED → **Example 8**
  5. Researcher has an employment contract and an Agreement to perform work (at the same time) – s/he works in an H2020 action under the employment contract, under the Agreement to perform work performs other activities (e.g. teaching) – let us assume that

<sup>12</sup> The bonus applies only to EU actions, which is the reason for its ineligibility.

<sup>13</sup> Conditions for Employment contracts and Agreements to perform work are set in the Czech Labour Code.

the hourly rate under the Agreement to perform work is different (higher or lower) from the hourly rate under the employment contract = PROJECT BASED <sup>14</sup>

6. Researcher has only an Agreement to perform work – s/he works in an H2020 action under the Agreement to perform work (and no bonuses for the participation in the EU H2020 action are paid) = NOT PROJECT-BASED
7. Researcher has two Agreements to perform work (at the same time) and no employment contract (it is assumed that a different hourly rate is applied to different activities) = PROJECT BASED <sup>15</sup>
8. Researcher has two employment contracts (at the same time, each of them for different activities) – s/he works in an H2020 action under one of the employment contracts (it is assumed that a different hourly rate is applied to different activities) = PROJECT BASED

## 4 CALCULATION

Based on the type of the remuneration (see chapter 3), different approaches to the calculation of eligible personnel costs are used for the purposes of financial reporting to the EC. The calculation has to be done **separately for each researcher** working in an H2020 action.

### 4.1 NOT PROJECT-BASED

$$\text{Amount charged to the action} = \frac{\text{actual annual personnel costs for the person}}{\text{annual productive hours}} * \text{hours worked on the action (timesheets)}$$

$$\text{Amount charged to the action} = \text{basic remuneration} + \text{additional remuneration}$$

Reference period for the calculation of the hourly rate:

- **closed financial year** (the 12-month period covered by the annual accounts of the entity);
- calendar month.<sup>16</sup>

<sup>14</sup> If the person receives different remuneration (a different hourly rate) for work in specific projects compared with the remuneration s/he receives for other activities, then it qualifies as project-based remuneration. **This is so irrespectively of the type of the contract used either for the project or for the non-project activities.**

<sup>15</sup> See footnote 14.

<sup>16</sup> The majority of Czech beneficiaries do not use this method, therefore there is no more attention given to this option in this document.

The option chosen must be applied during the full financial year to all its personnel in all H2020 grants.

Annual productive hours:

- **1720 fixed hours;**
- **individual annual productive hours** (annual workable hours of the person according to the employment contract plus overtime worked minus absences);
- standard annual productive hours.<sup>17</sup>

In principle, the same option (1, 2, or 3) must be applied to all personnel working in H2020 actions. However, the beneficiary may use different options for different types of personnel (applied consistently per group of personnel employed under similar conditions). The beneficiary must keep the same option(s) for the full financial year.

The mandatory formula mentioned above may **lead to minor/temporary differences** in the personnel costs recorded in the accounts. Those differences have no impact on the eligibility of the costs, provided that the formula has been correctly applied. However, it is important to be aware of the fact that double financing is not allowed, and therefore, **at the time of closing each accounting year (or at the end of the project), an internal accounting transfer needs to be done**, so the amount of personnel costs reported (declared) to the EC is in accordance with the amount of personnel costs recorded in the accounts of the beneficiary.<sup>18</sup> In other words, **at the time of closing the reporting period** (which does not match the accounting year precisely and which is not the last reporting period) **the costs charged to the H2020 action and the costs in the beneficiary's accounts (or the cost centre) does not have to be equal.**

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<sup>17</sup> The majority of Czech beneficiaries do not use this method, therefore there is no more attention given to this option in this document.

<sup>18</sup> When **the amount calculated is lower and real costs of the researcher higher**, the difference has to be covered by other sources (i.e. it is up to the beneficiary whether to transfer the difference to the other cost centre or to leave the amount in the H2020 cost centre on other sources).

When **the amount calculated is higher and real costs of the researcher lower**, the beneficiary can decide whether to declare to the EC only the lower amount (equals personnel costs already recorded in the beneficiary's accounts) or to do internal accounting transfer up to the amount of the entitlement based on mandatory formulas (in this case, beneficiaries should pay attention to avoid double financing and respect the double ceiling).

Furthermore, the **double ceiling** has to be respected.<sup>19</sup>

## 4.2 PROJECT-BASED

Two reference hourly rates have to be compared:

$$\text{H2020 action reference rate} = \frac{\text{annual personnel costs for the person for her/his work in the action}^{20}}{\text{number of hours worked for the action in the financial year (timesheets)}}$$

If the reporting period ends before the end of the financial year, the beneficiary must use the personnel costs and the hours **from the beginning of the year until the end of the reporting period**.

For the purpose of calculation of the action reference rate, if two consecutive reporting periods meet within one financial year, **the beneficiary must consider the amount of personnel costs from the whole financial year**.

$$\text{National projects reference rate} = \frac{\text{total annual personnel costs for the person for year } n-1 \text{ excluding remuneration paid for work in H2020 actions}}{1720 \text{ minus hours worked in H2020 actions in year } n-1}$$

This method to determine the national project reference rate applies only when neither any national law nor any internal institutional rules exist that would set the remuneration for national projects.<sup>21</sup>

<sup>19</sup> **Double ceiling** – Beneficiaries must ensure that:

1. the total **number of hours** worked declared in EU and Euratom grants per person per year is NOT higher than the number of annual productive hours used for the calculation of the hourly rate;
2. the total **amount of personnel costs** declared (for reimbursement as actual costs) in EU and Euratom grants per person per year is NOT higher than the total personnel costs recorded in the beneficiary's accounts (for that person for that year).

For this purpose, “*EU and Euratom grants*” means all EU and Euratom grants, including all H2020 actions, all FP7 projects and any other EU and Euratom grants. Please note also that certain grants awarded by the Member States are in fact financed by the EU budget, for instance via the European Structural and Investment Funds. Therefore, even if the funding is received through the national institutions, the grant is funded by the EU budget. Therefore, they are also taken into consideration into the calculation of the total number of hours.

<sup>20</sup> The beneficiary must calculate an hourly rate either annual or monthly. Majority of Czech beneficiaries do not use monthly method, therefore there is no more attention given to this option in this document.

<sup>21</sup> **In the Czech Republic there is no relevant national law and majority of Czech beneficiaries do not have internal rules setting up the level of remuneration to be paid for work in projects funded under national schemes.** Therefore there is no more attention given to these two options in this document.

## DIRECT PERSONNEL COSTS – EXAMPLES

If in year n-1 the person worked exclusively in H2020 actions, the beneficiary must use the average salary of the last year in which the person did not work exclusively in H2020 actions (e.g. year n-2 or year n-3). If in year n-1 the person was on a long-term sick leave, the beneficiary may use the average of year n-2 (instead of n-1).

The total annual personnel costs include **all remuneration paid by the beneficiary** to the person for work, irrespectively of the tasks and the projects for which the person was working; but it excludes all remuneration paid for work in H2020 actions. If the remuneration included ineligible items (e.g. a company's profit distribution) those must also be removed.

The hourly rate of the national project reference must be calculated **using 1720 fixed annual productive hours** (even for beneficiaries using otherwise individual productive hours).

$$\text{national projects reference rate} \geq \text{action reference rate}$$

$$\begin{aligned} \text{Amount charged to the action} &= \text{basic remuneration} + \text{additional remuneration} \\ &= \text{action reference rate} * \text{timesheets} \end{aligned}$$

$$\text{action reference rate} > \text{national projects reference rate}$$

$$\begin{aligned} \text{Amount charged to the action} &= \text{basic remuneration} + \text{additional remuneration}^{22} \\ &= \{(\text{national projects reference rate} * \text{timesheets})\} + \{(\text{action reference rate} \\ &\quad - \text{national projects reference rate}) * \text{timesheets}\} \end{aligned}$$

**Additional remuneration is eligible only up to a ceiling of 8000 EUR** <sup>23</sup> (for a full-time employee working exclusively for the action during the entire year).

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22 Additional remuneration may be charged only, if the beneficiary is a **non-profit entity**. „Non-profit legal entity“ means a legal entity which by its legal form is non-profit-making or which has a legal or statutory obligation not to distribute profits to its shareholders or individual members (see see Article 2.1(14) of the Rules for Participation).

23 Beneficiaries with accounting established in a currency other than the euro must convert the costs recorded in their accounts into euro at the average of the daily exchange rates published **over the corresponding reporting period**, as reported on the European central bank (ECB) website ([here](#)). When the reporting period does not coincide with the accounting year, to calculate the maximum amount of additional remuneration in CZK at the end of the accounting year, it could be recommended to use e.g. average over the accounting year or other conservative exchange rate (it is up to the decision of the beneficiary, it is not defined by the EC in the H2020 rules). **The precise amount will be calculated only at the end of the reporting period.**

For an employee working exclusively for the action but not hired full time during the entire year, the ceiling is reduced pro-rata. <sup>24</sup>

For an employee not working exclusively for the action, the ceiling is calculated pro-rata, based on the hours worked for the action.

*Maximum additional remuneration= 8000 EUR/annual productive hours FTE (1720) \* timesheets*

It is important to bear in the mind that the **double ceiling** has to be respected <sup>25</sup>.

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<sup>24</sup> If the researcher was employed part time (e.g. 80 %) to work for the action from January to March (i.e. for three months), the ceiling would be adjusted as follows: 8 000 \* 0,80 \* (3/12) = EUR 1 600.

<sup>25</sup> See footnote 19.

## II. EXAMPLES

### Example 1: Increase of the merit pay charged proportionally to all financial sources

A researcher has been working in the organization since 2015 until now under an employment contract. Since 2016 until now, s/he has been working in a H2020 action at 25% of his/her workload, and s/he received a half-year bonus and a bonus at the end of the year (i.e. always in July and December). Furthermore, a leadership bonus was paid (every month), as well as a bonus for publications and merit pay, which was increased at the start of the H2020 action (charged proportionally to all sources). The 1<sup>st</sup> reporting period of the H2020 action is **January 1, 2016 – June 30, 2017**.

<b>Working hours and productive hours</b>			
<b>YEAR</b>	<b>2015</b>	<b>2016</b>	<b>2017 /I-VI</b>
number of days in the year	365	366	181
weekends	104	104	51
vacation/leave	25	25	8
public holidays (excl. public holidays on weekends)	11	9	4
number of productive days (no sickness)	225	228	118
<b>Number of productive hours</b>	<b>1800</b>	<b>1824</b>	<b>944</b>

Number of productive hours in the first half of the year 2017 does not equal  $\frac{1}{2}$  of the annual productive hours because there are fewer public holidays and the researcher took fewer days off (most of the holiday will be taken during the months of July, September, and December). It is assumed that the researcher was not sick (i.e. s/he did not have any absence beyond the holidays), and it is not usual for the beneficiary to pay for overtime (i.e. the beneficiary did not work overtime).

Personnel costs (CZK) and hourly rates			
YEAR	2015	2016	2017 /I-VI
base pay	=30000 * 12	=30000 * 12	=30000 * 6
<b>merit pay</b>	<b>=10000 * 12</b>	<b>=12000 * 12</b>	<b>=12000 * 6</b>
leadership bonus	=1000 * 12	=1000 * 12	=1000 * 6
half-year bonus (6th month)	8000	12000	11000
bonus at the end of the year (12th month)	8000	7000	0
bonus for publications	1000	3000	2000
gross salary/year	509000	538000	271000
<b>super gross salary/year</b>	<b>682060</b>	<b>720920</b>	<b>363140</b>
<b>real annual productive hours</b>	<b>1800</b>	<b>1824</b>	<b>944</b>
workload in H2020 action - according to employment contract	0	0,25	0,25
<b>Actual hours H2020<sup>26</sup> - timesheets</b>	<b>0</b>	<b>456</b>	<b>236</b>
<b>Personnel costs H2020<sup>27</sup> - H2020 cost centre</b>	<b>0</b>	<b>180230</b>	<b>90785</b>

Version: Salary/bonuses of the researcher are **proportionally distributed among sources**; the payment of bonuses is based on objective conditions → **NOT PROJECT-BASED REMUNERATION**

26 This row shows the number of hours actually worked for the action. You can notice that it roughly reflects workload on H2020 action of 25 % (i.e.  $456/1825 = 0,25$ ). However, be aware that **even though this workload can be planned in the employment contract, H2020 personnel costs must be based on the number of hours actually worked for the actions**, not on cost allocation.

27 This row shows personnel costs in an H2020 cost centre entering into accounts of the beneficiary according to its accounting practice. You can notice that it roughly reflects a workload of 25% (i.e.  $180230 = 720920 * 456 / 1825 = 720920 * 0,25$ ) in an H2020 action. However, be aware that even though this workload can be planned in the employment contract, H2020 personnel costs must be based on the number of hours actually worked for the actions, not on the cost allocation.

## DIRECT PERSONNEL COSTS – EXAMPLES

1<sup>st</sup> option: beneficiary uses individual productive hours

$$\text{hourly rate of 2016} = \frac{720\,920}{1\,824} = 395,24 \text{ CZK/hr}$$

$$\text{charged costs (mandatory formula)} = (395,24 * 456) + (395,24 * 236) = 180\,230 + 93\,277 = 273\,507 \text{ CZK}$$

$$\text{sum of real costs in beneficiary's accounts (H2020 cost centre)} = 180\,230 + 90\,785 = 271\,015 \text{ CZK}$$

**At the end of the reporting period, the amount of 273 507 CZK can be charged** to H2020 action (i.e. the amount calculated by the mandatory formula) even if the lower amount of costs is recorded in the beneficiary's accounts, i.e. the action cost centre. However, **at the end of the financial year, the costs claimed in the reporting and the costs recorded in the beneficiary's accounts (in the cost centre) have to be equal**; and, therefore, an internal accounting transfer (up to the amount of the entitlement based on the mandatory formula) has to be done together with a control of double ceiling.

2<sup>nd</sup> option: beneficiary uses 1720 fixed hours

$$\text{hourly rate of 2016} = \frac{720\,920}{1\,720} = 419,14 \text{ CZK/hr}$$

$$\text{charged costs (mandatory formula)} = (419,14 * 456) + (419,14 * 236) = 290\,045 \text{ CZK}$$

For the next steps, see the 1<sup>st</sup> option.

## Example 2: Increase of merit pay charged to an H2020 source

This example involves the same researcher as in Example 1; however, the increase of merit pay is paid only from the H2020 source.

Personnel costs (CZK) and hourly rates			
YEAR	2015	2016	2017 /I-VI
base pay	= 30000 * 12	= 30000 * 12	= 30000 * 6
merit pay	=1 0000 * 12	= 10000 * 12	= 10000 * 6
leadership bonus	= 1000 * 12	= 1000 * 12	= 1000 * 6
half-year bonus (6th month)	8000	12000	11000
bonus at the end of the year (12th month)	8000	7000	0
bonus for publications	1000	3000	2000
<b>Increase of merit pay (MP)</b>	<b>0</b>	<b>→ = 2000 * 12 = 24000</b>	<b>= 2000 * 6 = 12000</b>
gross salary/year (without increase of MP)	509000	514000	259000
<b>super gross salary/year (without increase of MP)</b>	<b>682060</b>	<b>688760</b>	<b>347060</b>
gross salary/year (with increase of MP)	509000	538000	271000
<b>super gross salary/year (with increase of MP)</b>	<b>682060</b>	<b>720920</b>	<b>363140</b>
<b>real annual productive hours</b>	<b>1800</b>	<b>1824</b>	<b>944</b>
workload on H2020 action - according to employment contract	0	0,25	0,25
<b>Actual hours H2020 - timesheets</b>	<b>0</b>	<b>456</b>	<b>236</b>
<b>Personnel costs H2020 (without increase of MP) - H2020 cost centre</b>	<b>0</b>	<b>172190</b>	<b>86765</b>
<b>Personnel costs H2020 (with increase of MP) - H2020 cost centre</b>	<b>0</b>	<b>= 172190 + (24000 * 1,34) = 204350</b>	<b>= 86765 + (12000 * 1,34) = 102845</b>

Version: Increase of merit pay is **charged only to the H2020** source → *PROJECT-BASED REMUNERATION*

## DIRECT PERSONNEL COSTS – EXAMPLES

YEAR 2016

$$\begin{aligned} \text{National projects reference rate} &= \frac{682\,060}{1\,720} = 396,55 \text{ CZK/hr} \\ \text{H2020 action reference rate} &= \frac{204\,350}{456} = 448,14 \text{ CZK/hr} \end{aligned}$$

*action reference rate > national projects reference rate*

$$\begin{aligned} \text{Maximum additional remuneration} &= \frac{8\,000}{1\,720} * 456 = 2\,121 \text{ EUR} \\ \text{Average Exchange rate of the ECB over the period 1. 1. 2016 – 31. 12. 2016 (accounting year):} &= 27,034 \text{ CZK/EUR} \\ \text{Maximum additional remuneration} &= 2\,121 * 27,034 = 57\,337 \text{ CZK}^{28} \\ \text{Real additional remuneration} &= (448,14 - 396,55) * 456 = 23\,525 \text{ CZK} \end{aligned}$$

Total amount of the real additional remuneration can be charged to the H2020 action because it is below the maximum limit.

$$\text{Costs claimed in 2016} = (396,55 * 456) + 23\,525 = 204\,350 \text{ CZK}$$

YEAR 2017/I-VI

$$\begin{aligned} \text{National projects reference rate} &= \frac{720\,920 - 204\,350}{1720 - 456} = 408,68 \text{ CZK/hr} \\ \text{H2020 action reference rate} &= \frac{102\,845}{236} = 435,78 \text{ CZK/hr} \end{aligned}$$

*action reference rate > national projects reference rate*

<sup>28</sup> The precise amount will be checked at the end of the reporting period. At the end of the accounting year it is up to the decision of the beneficiary which exchange rate will be used (use of the average of the accounting year or other conservative exchange rate can be recommended). At the end of the reporting period Average Exchange rate of the ECB over the whole period of 1. 1. 2016 – 30. 06. 2017 is already known (i.e. 26,952 CZK/EUR). Therefore, after the end of the reporting period a new calculation needs to be done. Maximum additional remuneration eligible for year 2016 = 2 121 \* 26,952 = 57 165,19 CZK. Total amount of the real additional remuneration can be charged to the H2020 action because it is below the maximum limit.

$$\text{Maximum additional remuneration} = \frac{8\,000}{1\,720} * 236 = 1\,098 \text{ EUR}$$

*Average Exchange rate of the ECB over the period 1. 1. 1016 – 30. 06. 2017 (reporting period): 26,952 CZK/EUR*

$$\text{Maximum additional remuneration eligible YEAR 2017/I-VI} = 1\,098 * 26,952 = 29\,593 \text{ CZK}$$

$$\text{Real additional remuneration} = (435,78 - 408,68) * 236 = 6\,397 \text{ CZK}$$

Total amount of the real additional remuneration can be charged to the H2020 action because it is below the maximum limit.

$$\text{Costs claimed in 2017 (I-VI)} = (408,68 * 236) + 6\,397 = 102\,845 \text{ CZK}$$

$$\text{Costs claimed for the whole reporting period (mandatory formula)} = 204\,350 + 102\,845 = 307\,195 \text{ CZK}$$

$$\text{Sum of real costs in beneficiary's accounts (H2020 cost center)} = 204\,350 + 102\,845 = 307\,195 \text{ CZK}$$

### Example 3: Bonus charged to an H2020 source

A researcher has been working in the organization since 2015 until now under an employment contract. Since 2016 until now, s/he has been working in an H2020 action, and s/he received a half-year bonus and a bonus at the end of the year (i.e. always in July and December). Furthermore, a leadership bonus was paid (every month), as well as a bonus for publications and merit pay. In connection with the work in the H2020 action, the researcher **received a bonus of 2000 CZK charged to the H2020 source every month**. Another bonus was also paid for his/her work on a national project, it was paid always at the end of the year, in December, and it was covered from the sources of the national project. The 1<sup>st</sup> reporting period of the H2020 action is **1<sup>st</sup> January 2016 – 30<sup>th</sup> June 2017**; productive hours are the same as in Example 1.

Personnel costs (CZK) and hourly rates			
YEAR	2015	2016	2017 /I-VI
base pay	= 30000 * 12	= 30000 * 12	= 30000 * 6
merit pay	= 10000 * 12	= 10000 * 12	= 10000 * 6
leadership bonus	= 1000 * 12	= 1000 * 12	= 1000 * 6
half-year bonus (6th month)	8000	12000	11000
bonus at the end of the year (12th month)	8000	7000	0
bonus for publications	1000	3000	2000
<b>bonus for participation in national projects</b>	<b>=12000</b>	<b>12000</b>	<b>0</b>
<b>bonus for participation in international projects</b>	<b>0</b>	<b>→ =2000 * 12</b>	<b>=2000 * 6</b>
gross salary/year (without bonuses)	509000	514000	259000
<b>super gross salary/year (without bonuses)</b>	<b>682060</b>	<b>688760</b>	<b>347060</b>
gross salary/year (with bonuses)	521000	550000	271000
<b>super gross salary/year (with bonuses)</b>	<b>698140</b>	<b>737000</b>	<b>363140</b>
<b>real annual productive hours</b>	<b>1800</b>	<b>1824</b>	<b>944</b>
workload on H2020 action - according to employment contract	0	0,25	0,25

<b>Actual hours H2020 - timesheets</b>	0	456	236
<b>Personnel costs H2020 (without bonuses) - H2020 cost centre</b>	0	172190	86765
<b>Personnel costs H2020 (with bonuses) - H2020 cost centre</b>	0	= 172190 + (24000 * 1,34) = 204350	= 86765 + (12000 * 1,34) = 102845

Version: Bonus is **charged to the H2020 source** → *PROJECT-BASED REMUNERATION*

YEAR 2016

$$\text{National projects reference rate} = \frac{698\,140}{1\,720} = 405,90 \text{ CZK/hr}$$

$$\text{H2020 action reference rate} = \frac{204\,350}{456} = 448,14 \text{ CZK/hr}$$

*action reference rate > national projects reference rate*

$$\text{Maximum additional remuneration} = \frac{8\,000}{1\,720} * 456 = 2\,121 \text{ EUR}$$

*Average Exchange rate of the ECB over the period 1. 1. 2016 – 31. 12. 2016 (accounting year): 27,034 CZK/EUR*

$$\text{Maximum additional remuneration} = 2\,121 * 27,034 = 57\,337 \text{ CZK}^{29}$$

$$\text{Real additional remuneration} = (448,14 - 405,90) * 456 = 19\,262 \text{ CZK}$$

Total amount of the real additional remuneration can be charged to the H2020 action because it is below the maximum limit.

$$\text{Costs claimed in 2016} = (405,90 * 456) + 19\,262 = 204\,350 \text{ CZK}$$

<sup>29</sup> The precise amount will be checked at the end of the reporting period, i.e. **Maximum additional remuneration eligible for year 2016 = 2 121 \* 26,952 = 57 165,19 CZK**. Total amount of the real additional remuneration can be charged to the H2020 action because it is below the maximum limit.

## DIRECT PERSONNEL COSTS – EXAMPLES

YEAR 2017/I-VI

$$\text{National projects reference rate} = \frac{737\,000 - 204\,350}{1\,720 - 456} = 421,40 \text{ CZK/hr}$$

$$\text{H2020 action reference rate} = \frac{102\,845}{236} = 435,78 \text{ CZK/hr}$$

*action reference rate > national projects reference rate*

$$\text{Maximum additional remuneration} = \frac{8\,000}{1\,720} * 236 = 1\,098 \text{ EUR}$$

*Average Exchange rate of the ECB over the period 1. 1. 2016 – 30. 06. 2017 (reporting period): 26,952 CZK/EUR*

$$\text{Maximum additional remuneration eligible in 2017 /I-VI} = 1\,098 * 26,952 = 29\,593 \text{ CZK}$$

$$\text{Real additional remuneration} = (435,78 - 421,40) * 236 = 3\,395 \text{ CZK}$$

Total amount of the real additional remuneration can be charged to the H2020 action because it is below the maximum limit.

$$\text{Costs claimed in 2017 (I-VI)} = (421,40 * 236) + 3\,395 = 102\,845 \text{ CZK}$$

$$\text{Costs claimed for the whole reporting period (mandatory formula)} = 204\,350 + 102\,845 = 307\,195 \text{ CZK}$$

$$\text{Sum of real costs in beneficiary's accounts (H2020 cost center)} = 204\,350 + 102\,845 = 307\,195 \text{ CZK}$$

### Example 4: Researcher works exclusively for an H2020 action – existing employee (increase of merit pay due to seniority)

A researcher has been working in an organization **full-time for an H2020 action** since December 2015; a half-year bonus and a bonus at the end of the year were paid to the researcher (always in July and December). Furthermore, a leadership bonus was paid (every month), a bonus for publications, and merit pay. The 1<sup>st</sup> reporting period of the H2020 action is **1<sup>st</sup> December 2015 – 30<sup>th</sup> June 2017**; productive hours are the same as in Example 1.

Personnel costs (CZK) and hourly rates				
YEAR	2015		2016	2017 /I-VI
base pay	=30000 * 12		=30000 * 12	=30000 * 6
<b>merit pay</b>	<b>=10000 * 12</b>		<b>→ =12000 * 12</b>	<b>=12000 * 6</b>
leadership bonus	=1000 * 12		=1000 * 12	=1000 * 6
half-year bonus (6th month)	8000		12000	11000
bonus at the end of the year (12th month)	8000		7000	0
bonus for publications	1000		3000	2000
gross salary/year	509000		538000	271000
<b>super gross salary/year</b>	<b>682060</b>		<b>720920</b>	<b>363140</b>
<b>real annual productive hours</b>	<b>1800</b>		<b>1824</b>	<b>944</b>
<b>workload on H2020 action - according to employment contract</b>	<b>I-XI/2015</b>	<b>XII/2015</b>	<b>1,0</b>	<b>1,0</b>
	<b>0</b>	<b>1,0</b>		
<b>Actual hours H2020 - timesheets</b>	<b>0</b>	<b>136</b>	<b>1824</b>	<b>944</b>
	<b>0</b>	<b>65 660</b>		
<b>Personnel costs H2020 - H2020 cost centre</b>			<b>720920</b>	<b>363140</b>

Version: Researcher has been working in the organization since 2015, s/he has an employment contract; his/her **merit pay was increased** during the duration of the H2020 action **due to a number of years** the researcher has worked in the organization (based on the internal payroll regulation) → NOT *PROJECT-BASED REMUNERATION*

## DIRECT PERSONNEL COSTS – EXAMPLES

1. a) option: A beneficiary uses individual productive hours and the researcher signed the “Declaration on a person working exclusively on a H2020 action” (s/he does not fill in the timesheets) <sup>30</sup>

$$\text{hours worked for the H2020 action in 2015} = \frac{1\,800}{12} * 1 = 150 \text{ hr}$$

$$\text{hours worked for the H2020 action in 2016} = \frac{1\,824}{12} * 12 = 1\,824 \text{ hr}$$

$$\text{hours worked for the H2020 action in 2017} = \frac{1\,824}{12} * 6 = 912 \text{ hr}$$

Due to the fact that the researcher does not fill in timesheets, hours worked in the H2020 action in the part of the year 2015 will be calculated as pro-rata share of hours worked during the whole year. <sup>31</sup> For the part of the year 2017, pro-rata share of 2016 annual individual productive hours will be used (because individual hours of the whole year 2017 are not available yet).

$$\text{hourly rate in 2015} = \frac{682\,060}{1\,800} = 378,92 \text{ CZK/hr}$$

$$\text{hourly rate in 2016} = \frac{720\,920}{1\,824} = 395,24 \text{ CZK/hr}$$

$$\begin{aligned} \text{Costs claimed (mandatory formula)} &= \left( \frac{682\,060}{1\,800} * \frac{1\,800}{12} * 1 \right) + \left( \frac{720\,920}{1\,824} * 1\,824 \right) + \\ &+ \left( \frac{720\,920}{1\,824} * \frac{1\,824}{12} * 6 \right) = 56\,838 + 720\,920 + 360\,460 = 1\,138\,218 \text{ CZK} \end{aligned}$$

$$\begin{aligned} \text{Sum of real costs in beneficiary's accounts (H2020 cost centre)} &= 65\,660 + 720\,920 + 363\,140 = \\ &= 1\,149\,720 \text{ CZK} \end{aligned}$$

<sup>30</sup> **Time recording (timesheet) is not mandatory for persons who work exclusively for an action.** The fact that a researcher works exclusively for an action is documented for each reporting period by signing the “Declaration on a person working exclusively in a H2020 action” (“Declaration”).

<sup>31</sup> The pro-rata amount is in the example correctly calculated by using the number of the month in the year. However, in situations when the reporting period (or the first day of the employment of the researcher) does not begin on the first day of the month, the number of days has to be used (e.g. 31 days for December), i.e. the example of the start of the reporting period on the 10<sup>th</sup> of December:  $(1800/12) * (22/31)$ .

**At the end of the reporting period, only the amount of 1 138 218 CZK can be charged to the H2020 action** (i.e. the amount calculated by the mandatory formula) even if the higher amount of costs is in the beneficiary's accounts, i.e. the action cost centre. However, **at the end of each financial year, the costs claimed in the reporting and the costs recorded in the beneficiary's accounts (in the cost centre) has to equal**; and, therefore, an internal accounting transfer has to be done together with a control of the double ceiling.

1. b) option: A beneficiary uses individual productive hours and the researcher fills in the timesheets (it is usual practice of the beneficiary to fill in the timesheets and beneficiary decides to use it even in this situation)

$$\begin{aligned} \text{claimed costs (mandatory formula)} &= \left( \frac{682\,060}{1\,800} * 136 \right) + \left( \frac{720\,920}{1\,824} * 1\,824 \right) + \left( \frac{720\,920}{1\,824} * 944 \right) = \\ &= 51\,533 + 720\,920 + 373\,108 = 1\,145\,561 \text{ CZK} \end{aligned}$$

$$\begin{aligned} \text{Sum of real costs in beneficiary's accounts (H2020 cost centre)} &= 65\,660 + 720\,920 + 363\,140 = \\ &= 1\,149\,720 \text{ CZK} \end{aligned}$$

For the next steps, see 1.a) option.

2. a) option: A beneficiary uses 1720 fixed hours and the researcher signed the 'Declaration' (s/ he does not fill in any timesheets)

$$\text{hourly rate in 2015} = \frac{682\,060}{1\,720} = 396,55 \text{ CZK/hr}$$

$$\text{hourly rate in 2016} = \frac{720\,920}{1\,720} = 419,14 \text{ CZK/hrr}$$

$$\text{hours worked for the H2020 action in 2015} = \frac{1\,720}{12} * 1 = 143 \text{ hr}$$

$$\text{hours worked for the H2020 action in 2016} = \frac{1\,720}{12} * 12 = 1\,720 \text{ hr}$$

$$\text{hours worked for the H2020 action in 2017} = \frac{1\,720}{12} * 6 = 860 \text{ hr}$$

$$\begin{aligned} \text{Costs claimed (mandatory formula)} &= \left( \frac{682\,060}{1\,720} * \frac{1\,720}{12} * 1 \right) + \left( \frac{720\,920}{1\,720} * 1\,720 \right) + \\ &+ \left( \frac{720\,920}{1\,720} * \frac{1\,720}{12} * 6 \right) = 56\,838 + 720\,920 + 360\,460 = 1\,138\,218 \text{ CZK} \end{aligned}$$

$$\begin{aligned} \text{sum of real costs in beneficiary's accounts (H2020 cost center)} &= 65\,660 + 720\,920 + 363\,140 = \\ &= 1\,149\,720 \text{ CZK} \end{aligned}$$

## DIRECT PERSONNEL COSTS – EXAMPLES

For the next steps, see 1.b) option.

2. b) option: A beneficiary uses 1720 fixed hours and the researcher fills in the timesheets (it is usual practice of the beneficiary to fill in timesheets and the beneficiary decides to use it even in this situation)

$$\begin{aligned} \text{Costs claimed (mandatory formula)} &= \left( \frac{682\,060}{1\,720} * 136 \right) + \left( \frac{720\,920}{1\,720} * 1\,720 \right) + \left( \frac{720\,920}{1\,720} * 944 \right) = \\ &= 53\,930 + 720\,920 + 395\,668 = 1\,170\,518 \text{ CZK} \end{aligned}$$

The number of 1824 hours worked cannot be used in 2016 because “*the total number of hours worked declared in H2020 action for a person for a year would be higher than the number of annual productive hours used for the calculation of the hourly rate*” (double ceiling rule). The number of 1720 hr/year is therefore used.

In 2017, the number of 944 productive hours can be used, because it does not exceed the double ceiling. However, at the end of the year, it has to be checked whether the ceiling is not exceeded. If so, we can use only 1720 productive hr/year.

$$\begin{aligned} \text{Sum of real costs in beneficiary's accounts (H2020 cost center)} &= 65\,660 + 720\,920 + 363\,140 \\ &= 1\,149\,720 \text{ CZK} \end{aligned}$$

**At the end of reporting period, the amount of 1 170 518 CZK can be charged to the H2020 action** (i.e. the amount calculated by the mandatory formula) even if lower costs are recorded in the beneficiary's accounts, i.e. the action cost centre (and even if the total amount of personnel costs declared for a person is higher than the total personnel costs recorded in the beneficiary's accounts for that person for that reporting period). However, **at the end of each financial year, the costs claimed in the reporting and the costs recorded in the beneficiary's accounts (in the cost centre) have to be equal to respect the double ceiling rule;** and, therefore, an internal accounting transfer (up to the amount of the entitlement based on the mandatory formula) has to be done.

### Example 5: Researcher works exclusively for an H2020 action – new employee

The figures in years 2016 and 2017 are identical to Example 4; however, the researcher is a **new employee**.

Version: A new employment contract was concluded with the researcher in 2016 (s/he is a newcomer in the organization of the beneficiary, i.e. has no financial history in the organization of the beneficiary) → NOT *PROJECT-BASED REMUNERATION*

The same calculation as in Example 4 (only December 2015 is not taken into account).

**Example 6: Researcher works exclusively for an H2020 action – existing employee (increase of merit pay due to work for an H2020 action)**

The figures in years 2015, 2016, and 2017 are identical to Example 4, however, the 1<sup>st</sup> reporting period of the H2020 action is **January 1, 2016 – June 30, 2017**.

Version: Researcher has worked in the organization since 2015, and s/he has an employment contract; her/his **merit pay was increased in connection with the start of the H2020 action** → *PROJECT-BASED REMUNERATION*

1<sup>st</sup> option: researcher signed the ‘Declaration’ for an H2020 action (s/he does not fill in timesheets)

$$\begin{aligned} \text{hours worked for the H2020 action in 2016 (fixed hours)} &= 1\,720 \text{ hr} \\ \text{hours worked for the H2020 action in 2017 (pro -rata fixed hours)} &= \frac{1\,720}{12} * 6 = 860 \text{ hr} \end{aligned}$$

YEAR 2016

$$\begin{aligned} \text{National projects reference rate} &= \frac{682\,060}{1\,720} = 396,55 \text{ CZK/hr} \\ \text{H2020 action reference rate} &= \frac{720\,920}{1\,720} = 419,14 \text{ CZK/hr} \end{aligned}$$

*action reference rate > national projects reference rate*

$$\text{Maximum additional remuneration} = \frac{8\,000}{12} * 12 = 8\,000 \text{ EUR}$$

*Average Exchange rate of the ECB over the period 1. 1. 2016 – 31. 12. 2016 (accounting year): 27,034 CZK/EUR*

$$\text{Maximum additional remuneration} = 8\,000 * 27,034 = 216\,272 \text{ CZK}^{32}$$

$$\text{Real additional remuneration} = (419,14 - 396,55) * 1\,720 = 38\,860 \text{ CZK}$$

32 The precise amount will be checked at the end of the reporting period. **Maximum additional remuneration eligible for year 2016 = 8 000\*26,952 = 215 616 CZK.** Total amount of the real additional remuneration can be charged to the H2020 action because it is below the maximum limit.

Total amount of the real additional remuneration can be charged to the H2020 action because it is below the maximum limit.

$$\text{Costs claimed in 2016} = (396,55 * 1\,720) + 38\,860 = 720\,920 \text{ CZK}$$

YEAR 2017/I-VI

$$\text{National projects reference rate} = \frac{682\,060}{1\,720} = 396,55 \text{ CZK/hr}$$

The beneficiary must use **the data of the last year in which the person did not work exclusively for H2020 actions**, i.e. the year 2015.

$$\text{H2020 action reference rate} = \frac{363\,140}{860} = 422,26 \text{ CZK/hr}$$

*action reference rate > national projects reference rate*

$$\text{Maximum additional remuneration} = \frac{8\,000}{12} * 6 = 4\,000 \text{ EUR}$$

*Average Exchange rate of the ECB over the period 1. 1. 2016 – 30. 06. 2017 (reporting period): 26,952 CZK/EUR*

*Maximum additional remuneration eligible in YEAR 2017 /I-VI = 4 000 \* 26,952 = 107 808 CZK*

*Real additional remuneration = (422,26-396,55) \* 860 = 22 110 CZK*

Total amount of the real additional remuneration can be charged to the H2020 action because it is below the maximum limit.

$$\text{Costs claimed in 2017 (I-VI)} = (396,55 * 860) + 22\,110 = 363\,140 \text{ CZK}$$

*Costs claimed for the whole reporting period (mandatory formula) = 720 920 + 363 140 = 1 084 060 CZK*

*Sum of real costs in beneficiary's accounts (H2020 cost center) = 720 920 + 363 140 = 1 084 060 CZK*

2<sup>nd</sup> option: the researcher fills in the timesheets (it is usual practice of the beneficiary to fill in timesheets, and the beneficiary decides to use it even for the researcher working exclusively for the H2020 action)

*hours worked for the H2020 action in 2016 (timesheets) = 1 824 hr*

*hours worked for the H2020 action in 2017 (timesheets) = 944 hr*

## DIRECT PERSONNEL COSTS – EXAMPLES

YEAR 2016

$$\text{National projects reference rate} = \frac{682\,060}{1\,720} = 396,55 \text{ CZK/hr}$$

$$\text{H2020 action reference rate} = \frac{720\,920}{1\,824} = 395,24 \text{ CZK/hr}$$

*national projects reference rate > action reference rate*

$$\text{Costs claimed in 2016} = 395,24 * 1\,824 = 720\,920 \text{ CZK}$$

YEAR 2017/I–VI

$$\text{National projects reference rate} = \frac{682\,060}{1\,720} = 396,55 \text{ CZK/hr}$$

The beneficiary must use the hourly rate of the last **year in which the person did not work exclusively in H2020 actions**, i.e. the year 2015.

$$\text{H2020 action reference rate} = \frac{363\,140}{944} = 384,68 \text{ CZK/hr}$$

*ational projects reference rate > action reference rate*

$$\text{Costs claimed in 2017 (I–VI)} = 384,68 * 944 = 363\,140 \text{ CZK}$$

*Costs claimed for the whole reporting period (mandatory formula) = 720 920 + 363 140 = 1 084 060 CZK*

*Sum of real costs in beneficiary's accounts (H2020 cost center) = 720 920 + 363 140 = 1 084 060 CZK*

### Example 7: Researcher works exclusively for an H2020 action at first, then later not exclusively

This example involves a similar researcher as in Example 5; however, s/he had been working exclusively for the H2020 action only in January and February 2017; since March 2017, the person has been also working for a national project. In connection with the national project, the researcher received a **bonus of 5 000 CZK every month charged to the source of the national project**. The 1<sup>st</sup> reporting period is **January 1, 2016 – June 30, 2017**.

Personnel costs (CZK) and hourly rates			
YEAR	2016	2017 /I-II	2017/III-VI
base pay	= 30000 * 12	=30000 * 2	=30000 * 4
merit pay	= 12000 * 12	=12000 * 2	=12000 * 4
leadership bonus	=1000 * 12	=1000 * 2	=1000 * 4
half-year bonus (6 <sup>th</sup> month)	12000	0	11000
bonus at the end of the year (12 <sup>th</sup> month)	7000	0	0
bonus for publications	3000	2000	0
<b>bonus for participation in national project</b>	<b>0</b>	<b>0</b> →	<b>20000</b>
gross salary/year (without bonus for national project.)	538000	88000	183000
<b>super gross salary/year (without bonus for national project)</b>	720920	117920	245220
gross salary/year (with bonus for national project)	538000	88000	203000
<b>super gross salary/year (with bonus for national project)</b>	720920	117920	272020
<b>real annual productive hours</b>	1824	272	672
<b>workload on national project</b>	<b>0</b>	<b>0</b>	<b>0,25</b>
Personnel costs of national project	0	0	=61 305 + (20000 * 1,34) = 88105
<b>workload on H2020 action</b> - according to <b>employment contract</b>	<b>1</b>	<b>1</b> →	<b>0,75</b>

## DIRECT PERSONNEL COSTS – EXAMPLES

<b>Actual hours H2020 - timesheets</b>	1824	272	504
<b>Personnel costs H2020 - H2020 cost centre</b>	720 920	117 920	183 915

YEAR 2016

Version: A new employment contract was concluded with the researcher in 2016 (s/he is a **newcomer** in the organization of the beneficiary, i.e. has no financial history) → NOT *PROJECT-BASED REMUNERATION*

1<sup>st</sup> option: A beneficiary uses individual productive hours (equal result for a situation when the researcher signed the 'Declaration' and for a situation when the researcher fills in timesheets)

$$\text{charged costs (mandatory formula)} = \left( \frac{720\,920}{1\,824} * 1\,824 \right) = 720\,920 \text{ CZK}$$

2<sup>nd</sup> option: A beneficiary uses 1720 fixed hours (equal for a situation when the researcher signed the 'Declaration' and for a situation when the researcher fills in timesheets)

$$\text{charged costs (mandatory formula)} = \left( \frac{720\,920}{1\,720} * 1\,720 \right) = 720\,920 \text{ CZK}$$

YEAR 2017/I-VI

Version: even though the first two months qualify as not project-based remuneration, **since March, the researcher's remuneration qualifies as project-based** → the whole year is therefore considered *PROJECT-BASED REMUNERATION*

$$\text{National projects reference rate 2017} = \frac{(117\,920 + 272\,020) - (117\,920 + 183\,915)}{\left( \frac{1\,720}{12} * 6 \right) - (272 + 504)} = 1\,048,87 \text{ CZK/hr}$$

The beneficiary must use the average salary of the last year in which the person did not work exclusively for the H2020 action. Because **such year is not available**, the year 2017 has to be taken into account.

$$\text{H2020 action reference rate} = \frac{117\,920 + 183\,915}{272 + 504} = 388,96 \text{ CZK/hr}$$

*national projects reference rate > action reference rate*

$$\text{Costs claimed in 2017 (I-VI)} = 388,96 * (272 + 504) = 301\ 835\ \text{Kč}$$

$$\text{Costs claimed for the whole reporting period (mandatory formula)} = 720\ 920 + 301\ 835 = 1\ 084\ 060\ \text{Kč}$$

$$\begin{aligned} \text{Sum of real costs in beneficiary's accounts (H2020 cost center)} &= 720\ 920 + (117\ 920 + 183\ 915) = \\ &= 1\ 084\ 060\ \text{Kč} \end{aligned}$$

## Example 8: Employment contract and Agreement to perform work

A researcher has been working in the organization since 2015 until now under an employment contract. S/he received a half-year bonus and a bonus at the end of the year (paid always in July and December). Furthermore, a leadership bonus has been paid (every month), as well as a bonus for publications and merit pay. The researcher also received a bonus for work in a national project (always at the end of the year in December and paid from the sources of the national project). Productive hours are the same as in Example 1. **In 2015 (only), s/he had a separate Agreement to perform work** (in the extent of 5 hrs/week, with agreed remuneration of 300 CZK/hr, **for collaboration with an industrial partner** concerning the production of a prototype). **Since 2016 until now, s/he has been working for an H2020 action under another Agreement to perform work** concluded with the current employer (i.e. the agreement is separate and in addition to the employment contract) – it is concluded only for work for the H2020 action, for the duration of 3 years (the duration of the action, i.e. January 1, 2016 – December 31, 2018), in the extent of 8 hrs/week, with agreed remuneration of 450 CZK/hr. The 1<sup>st</sup> reporting period of the H2020 action is **January 1, 2016 – June 30, 2017**.

Personnel costs (CZK) and hourly rates			
YEAR	2015	2016	2017 /I-VI
base pay + merit pay + leadership bonus + half-year bonus (6th month) + bonus at the end of the year (12th month) + bonus for publications + Bonus for participation in national projects	= (30000 * 12) + (10000 * 12) + (1000 * 12) + 8000 + 8000 + 1000 + 12000	= 30000 * 12) + (10000 * 12) + (1000 * 12) + 12000 + 7000 + 3000 + 12000	= 30000 * 6) + (10000 * 12) + (1000 * 12) + 11000 + 7000 + 3000 + 0
<b>super gross salary/year (without Agreement)</b>	698140	704840	347060
<b>real annual productive hours (without Agreement)</b>	1800	1824	944
<b>remuneration for the Agreement (activity other than H2020) – super gross</b>	= 52 * 5 * 300 * 1,34 = 104520	0	0
hours for the Agreement (activity other than H2020)	= 52 * 5 = 260	0	0
<b>hourly rate (Agreement)</b>	0	<b>450</b>	<b>450</b>

remuneration for H2020 (Agreement) - super gross	0	= 52 * 8 * 450 * 1,34 = 250848	= 25 * 8 * 450 * 1,34 = 120 600
Actual hours H2020 - timesheets	0	= 52 * 8 = 416	= 25 * 8 = 200

Version: **Hourly rate of the Agreement** (= 450 \* 1,34 = 603 CZK/hr) **is higher** than the hourly rate under the employment contract (388 CZK/hr) → *PROJECT-BASED REMUNERATION*

YEAR 2016

$$\text{National projects reference rate 2015} = \frac{698\,140 + 104\,520}{1\,720 + 260} = 405,38 \text{ CZK/hr}$$

$$\text{H2020 action reference rate} = 450 * 1,34 = 603,00 \text{ Kč/hod}$$

*action reference rate > national projects reference rate*

$$\text{Maximum additional remuneration} = \frac{8\,000}{1\,720} * 416 = 1\,935 \text{ EUR}$$

*Average Exchange rate of the ECB over the period 1. 1. 1016 – 31. 12. 2016 (accounting year): 27,034 CZK/EUR*

$$\text{Maximum additional remuneration (preliminary)} = 1\,935 * 27,034 = 52\,308 \text{ CZK}$$

The precise amount will be checked at the end of the reporting period when the requested Average Exchange rate of the ECB over the whole period is already known.

$$\text{Maximum additional remuneration (calculated after the end of the reporting period)} = 1\,935 * 26,952 = 52\,152 \text{ CZK}$$

$$\text{Real Additional remuneration} = (603,00 - 405,38) * 416 = 82\,208 \text{ Kč}$$

The total amount of the real additional remuneration is higher than the maximum additional remuneration; therefore, **only the maximum additional remuneration (calculated after the end of the reporting period) can be charged.**

$$\text{Costs claimed in 2016} = (405,38 * 416) + 52\,152 = 220\,790 \text{ Kč}$$

## DIRECT PERSONNEL COSTS – EXAMPLES

YEAR 2017/I-VI

$$\text{National projects reference rate 2016} = \frac{704\,840}{1\,720} = 409,79 \text{ CZK/hr}$$

$$\text{H2020 action reference rate} = 450 * 1,34 = 603,00 \text{ CZK/hr}$$

*action reference rate > national projects reference rate*

$$\text{Maximum additional remuneration} = \frac{8\,000}{1\,720} * 200 = 930 \text{ EUR}$$

*Average Exchange rate of the ECB over the period 1. 1. 2016 – 30. 06. 2017 (reporting period): 26,952 CZK/EUR*

$$\text{Maximum additional remuneration eligible in 2017/I-VI} = 930 * 26,952 = 25\,072 \text{ CZK}$$

$$\text{Real additional remuneration} = (603,00 - 409,79) * 200 = 38\,642 \text{ CZK}$$

The total amount of the real additional remuneration is higher than the maximum additional remuneration, therefore **only the maximum additional remuneration can be charged.**

$$\text{Costs claimed in 2017 (I-VI)} = (409,79 * 200) + 25\,072 = 107\,030 \text{ CZK}$$

$$\text{Costs claimed for the whole reporting period (mandatory formula)} = 220\,790 + 107\,030 = 327\,820 \text{ CZK}$$

$$\text{Sum of real costs in beneficiary's accounts (H2020 cost center)} = 250\,848 + 120\,600 = 371\,448 \text{ CZK}$$

The beneficiary can charge only the amount of 327 820 CZK (i.e. the amount calculated according to the H2020 rules) to the EC, and the amount of 43 628 CZK (= 371 448 – 327 820) **has to be covered from other sources (because it exceeds the amount of the entitlement to additional remuneration)**. The amount of personnel costs reported (declared) to the EC should be in accordance with the amount of personnel costs recorded in the accounts of the beneficiary, and an appropriate internal accounting transfer should be, therefore, done at the end of the accounting year.

List of H2020 National Contact Points can be found here:

*<https://www.h2020.cz/cs/seznamy/narodni-kontakty> (CZ) or here*

*<https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/support/ncp> (EN)*

