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**Finances and HR Business Correspondent**

# **Guide for applicants TAXUD/2021/CFP-01 “European Tax Observatory”**

**Part A: Financial guide for applicants Part B:  
Guidance on submission forms Annex: Checklist  
for applicants**

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# Part A – Financial guidance for applicants

**Disclaimer:** this document provides the applicants of action grants with a quick summary of the main legal and financial rules contained in the Financial Regulation applicable to the general budget of the Union (FR)<sup>1</sup>. The information given is not exhaustive and applicants are therefore asked to carefully read the call for proposals, the model grant agreement published with this call and, in case of award, the grant agreement sent to them, as it will constitute the legal basis for the grant.

## 1. GENERAL PRINCIPLES

Grants are subject to the principles of the Financial Regulation, in particular the principles of co-financing, prohibition of double financing and non-profit.

### Co-financing principle

Grants shall involve co-financing. Union grants may not finance the entire cost of the action to be subsidised. Therefore, grants cover only a percentage of the eligible costs. Co-financing may be provided in the form of the beneficiary's own resources, income generated by the action or financial contributions from third parties (public or private).

### Non-cumulative award

An action may only receive one grant from the EU budget.

Under no circumstances shall the same costs be financed twice by the Union budget. To ensure this, applicants shall indicate in the grant application the sources and amounts of Union funding received or applied for the same action or part of the action or for the applicant's functioning during the same financial year, as well as any other funding received or applied for the same action.

### Non-profit principle

The EU grant may not have the purpose or effect of producing a profit for the beneficiary.

Profit is defined as a surplus of the receipts over the eligible costs incurred by the beneficiary, when the request is made for payment of the balance. If this calculation results in a profit for the beneficiaries, the Commission will reduce the final amount of the grant proportionally to its contribution, by applying the percentage of its co-financing to the profit generated.

The receipts referred to above shall be limited to the Union grant and the revenue generated by the action. The verification of the no-profit principle does not apply for:

- grants taking the form of financing not linked to costs;
- beneficiaries or affiliated entities which are non-profit organisations
- low-value grants not up to a maximum amount of EUR 60,000.

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<sup>1</sup> [Regulation \(EU, Euratom\) 2018/1046](#) of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012

## 2. DEFINITIONS

### Beneficiary/ies – applicant/s

**Applicants** are organisations, which submit a project proposal; **beneficiaries** are entities, which sign the grant agreement with the Commission. They are actively involved in the implementation of the action and are financially engaged, be it by hiring staff or incurring other costs or by providing a direct financial contribution.

The text of the call will specify, *inter alia*, the eligibility criteria for applicants, if proposals can be submitted by a single applicant (if selected, a *mono-beneficiary agreement* will be signed) or by a group of several applicants (consortium) (if selected, a *multi-beneficiary agreement* will be signed). The grant agreement model(s) is(are) published with the call text and provides details on the specific obligations of the beneficiary or, in the case of a consortium, of the coordinator and the other beneficiaries.

Where proposals are submitted by several applicants, one applicant must take the role of lead-applicant and is called the **coordinator**. The other organisations involved in the application are called *co-applicants* and *other beneficiaries* in the grant agreement. The coordinator is responsible for submitting the proposal and signing the grant agreement after having received all the required powers of attorney from the other beneficiaries<sup>2</sup>. Since the coordinator and other beneficiaries will share the financial responsibility, the financial capacity of the coordinator's and of each co-applicant in receipt of an amount of EU grant above or equal to 60.000 EUR will be assessed against its share in the action's budget.

The grant agreement will detail the specific obligations of the beneficiary and, where appropriate, of the coordinator and the other beneficiaries.

For projects led by a consortium, the lead applicant and co-applicants shall agree - preferably in writing - upon appropriate internal arrangements, consistent with the provisions of the grant agreement, for the proper implementation of the action.

References to the applicant or to the beneficiary in this document include co-applicants where applications are submitted by a group of applicants and the coordinator and other beneficiaries in the case of multi-beneficiary grant agreements.

### **Affiliated entities**

Affiliated entities are legal entities, which have a link with the beneficiary. On that basis, they may incur eligible costs for the action covered by the grant<sup>3</sup> if they are legal entities satisfying the eligibility and non-exclusion criteria of the call and have a link with a beneficiary, notably a legal or capital link, which is neither limited to the action nor established for the sole purpose of its implementation. This link must be proven by supporting documents such as the statutory list of members included in reports approved by governing bodies, the list of controlled companies in audited consolidated accounts, the balance sheet or the deeds of establishment proving ownership or partnership.

The following conditions must be fulfilled:

- The affiliated entity/ies concerned are identified in the grant agreement,
- The entity/ies concerned abide by the rules applicable to the beneficiary under the grant agreement concerning eligibility of costs and rights of checks and audits.

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<sup>2</sup> Please refer to the grant agreement model for more information on the responsibilities of the coordinator and other beneficiaries.

<sup>3</sup> In the budget form, the estimated costs of each affiliated entity shall be added to the estimated expenditure of the respective applicant organisation without distinction.

Contrary to co-beneficiaries, affiliated entities are not signatories to the Grant Agreement and are, therefore, not financially liable in case of recovery of funds. The beneficiary to which they are linked is financially liable for them. Consequently, the Commission does not test the financial capacity of affiliated entities at time of application.

**The call document published for each call for proposals indicates whether affiliated entities may take part in that particular call or not.**

#### *Associate organisations*

Other organisations may only participate in the action as associate organisations where this clearly serves the aim of the action, **on a no-cost basis**. These organisations will not be a party of the grant agreement concluded with the Commission. Their role shall be described in the description of the action (template available at: [https://ec.europa.eu/taxation\\_customs/calls-tenders-grants-calls-expression-interest/TAXUD/2021/CFP-01-eu-tax-observatory\\_en](https://ec.europa.eu/taxation_customs/calls-tenders-grants-calls-expression-interest/TAXUD/2021/CFP-01-eu-tax-observatory_en)).

#### *Third parties (other donors)*

Other entities outside beneficiaries, affiliated entities and associate organisations are considered as third parties. Third parties can provide a financial contribution to the implementation of the action if these are specifically assigned by the third party to the financing of the eligible reimbursable costs of the action. Such third parties are not involved in the implementation of the action.

### **3. RULES RELATED TO THE REQUESTED GRANT**

- The applicable co-financing rates can be found in the text of the call for proposals.
- The grant may not cover ineligible costs (see point 4.2.4) below.
- Where applicable in accordance with the call for proposals:
  - *Co-applicants* must provide a letter of mandate, authorising the coordinator to submit the proposal and, if the proposal is accepted for funding, sign the grant agreement with the Commission on its behalf. In addition to the information provided in the application form, co-applicants must also provide a signed letter of commitment, explaining the nature of their involvement in the implementation of the action.
  - *Affiliated entities* must provide a signed letter of commitment, explaining the nature of their involvement in the implementation of the action. They must also provide a document demonstrating their legal or capital link with the parent organisation (lead applicant or co-applicant). No letter of mandate is required.
  - *Associate organisations* must provide a signed letter of commitment, explaining the nature of their involvement in the action or any other type of support to the implementation of the action. No letter of mandate is required.
  - Third parties (i.e. other donors) that only make a financial contribution to the action should provide a signed letter of commitment stating the amount of their respective contribution.
- The beneficiary shall be responsible for carrying out the action in accordance with the terms and conditions of the grant agreement.

## 4. THE ESTIMATED BUDGET OF THE ACTION

### 4.1. The budget must be detailed and balanced

Grant applications must include a detailed estimated budget presented in euros (see application form). Applicants established in countries outside the Euro zone must use the conversion rates published in the C series of the Official Journal of the European Union (OJ) available at [https://www.ecb.europa.eu/stats/policy\\_and\\_exchange\\_rates/euro\\_reference\\_exchange\\_rates/html/ind\\_ex.en.html](https://www.ecb.europa.eu/stats/policy_and_exchange_rates/euro_reference_exchange_rates/html/ind_ex.en.html).

If no daily euro exchange rate is published in the *Official Journal of the European Union* for the currency in question, conversion must be made at the average of the monthly accounting rates established by the Commission and published on its website ([https://ec.europa.eu/info/funding-tenders/how-eu-funding-works/information-contractors-and-beneficiaries/exchange-rate-infoeuro\\_en](https://ec.europa.eu/info/funding-tenders/how-eu-funding-works/information-contractors-and-beneficiaries/exchange-rate-infoeuro_en)). Applicants should be aware that they fully carry the exchange rate risk.

The budget estimate must be properly balanced: the two totals (income and expenditure) must be the same, since the available income (including the grant requested from the Commission) will have to finance the planned expenditure. Please make sure that all the items related to the implementation of the action are included and not just the items for which financing is requested.

Co-financing of the eligible costs of the action may take the form of:

- The applicant’s own resources (e.g. staff cost, etc.);
- Income generated by the action or work programme;
- Financial contributions from third parties.

Contributions in kind (i.e. non-financial resources made available free of charge by third parties to the beneficiaries) are not accepted for the co-financing of eligible costs.

### 4.2. Expenditure – eligible costs

Expenditure must include the estimated costs exclusively incurred for the implementation of the action.

#### 4.2.1. General criteria for the eligibility of costs

In order to be eligible for EU funding, eligible costs must meet the following criteria:

- a) be incurred by the beneficiary during the duration of the action, with the exception of costs relating to final reports and audit certificates (if applicable);
- b) be indicated in the estimated overall budget of the action attached to the grant agreement;
- c) be necessary for the implementation of the action which is the subject of the grant;
- d) be identifiable and verifiable, in particular being recorded in the accounting records of the beneficiary and determined according to the applicable accounting standards of the country where the beneficiary is/are established and according to the usual cost-accounting practices of the beneficiary;
- e) comply with the requirements of applicable tax and social legislation;
- f) be reasonable, justified and comply with the principle of sound financial management, in particular regarding economy and efficiency.

If applicable: the same criteria apply to costs incurred by the affiliated entities. Costs incurred by entities affiliated to a beneficiary will be eligible, provided:

- the concerned entities are identified in the grant agreement;

- they abide by the rules applicable to the beneficiary under the grant agreement with regard to eligibility of costs and rights of audits by the European Commission, the European Anti-Fraud Office and the European Court of Auditors.

Value added tax (VAT) is considered as eligible where it is not recoverable under applicable national VAT legislation and is paid by a beneficiary other than a non-taxable person as defined in the first subparagraph of Article 13(1) of Council Directive 2006/112/EC<sup>4</sup> of 28 November 2006 on the common system of value added tax.

The successful applicant(s) must take care to avoid any unnecessary or unnecessarily high expenditure. Internal accounting and auditing procedures must permit a direct reconciliation of the costs and revenue declared in respect of the action with the corresponding accounting statements and supporting documents.

Documentation justifying expenditure must be kept by beneficiary for five years following the payment of the balance of the grant.

Eligible costs may be direct or indirect.

#### 4.2.2. Eligible direct costs

The eligible direct costs for the action are those costs which, provided they satisfy the criteria of eligibility set out above, are identifiable as specific costs directly linked to the performance of the action and which can therefore be attributed to it directly.

Extra costs associated with the participation of people with disabilities are also eligible. These costs may be required to cover the use, for example, of special means of transport, personal assistants or sign language interpreters.

In particular, the following categories of direct costs may be considered eligible.

##### 4.2.2.1. Staff costs (Heading 1 of the budget form)

The costs of personnel working under an employment contract with the beneficiary or an equivalent appointing act and assigned to the action are eligible, provided that these costs are in line with the beneficiary's usual policy on remuneration.

Those costs include actual salaries plus social security contributions and other statutory costs included in the remuneration. They may also include additional remunerations, including payments based on supplementary contracts regardless of the nature of those contracts, provided that they are paid in a consistent manner whenever the same kind of work or expertise is required, independently from the source of funding used.

The costs of natural persons working under a contract with the beneficiary other than an employment contract or who are seconded to the beneficiary by a third party against payment ("in-house consultants) may be assimilated to such costs of personnel, provided that the following conditions are fulfilled:

- i. the person works under conditions similar to those of an employee (in particular regarding the way the work is organised, the tasks that are performed and the premises where they are performed);
  - ii. the result of the work belongs to the beneficiary; (unless exceptionally agreed otherwise);
- and

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<sup>4</sup> OJ L 347, 11.12.2006, p.1



- iii. the costs are not significantly different from the costs of staff performing similar tasks under an employment contract with the beneficiary.

**Conversely, the cost of any work to be performed by external experts must not be included in staff costs but under purchases (see Heading 3).**

The salary costs must be actual and should not exceed the rates corresponding to the beneficiary's usual policy on remuneration.

Should your proposal be financed by the Commission, only the real costs (i.e. actual salaries paid) will be considered eligible costs. For personnel costs to be considered as eligible direct costs there must be a real and verifiable transfer of funds from the organisation and the assignment of the staff in question must be genuine, necessary and reasonable in relation to the activity being subsidised and to the duration of the action.

The costs of personnel of national administrations may be considered as eligible to the extent that they relate to the cost of activities which are additional and which the relevant public authority would not carry out if the project concerned was not undertaken.

Please fill in the section reserved for staff costs in the budget estimate (see budget forms) as follows:

- Column "Profile/Category of staff" - indicate the profile or category of the staff according to their role in the project (coordinator, project manager, etc.) in each category. The names of individuals are not required and must not be indicated.
- Column "Types of employment (e.g. permanent/temporary/in-house consultants) and work patterns (e.g. full-time/part-time)" - indicate how many of each type.
- Column "Indicative daily salary cost" - the indicative daily rate for each category of staff should be determined as follows:

$$\frac{\text{Gross actual salaries} + \text{social security charges}^5 + \text{statutory costs}}{\text{Total productive days/ year}}$$

The determination of productive days (actual working days) should be made respecting the standard working time either under national laws, collective agreements or under the organisations' normal accounting practice. An example for determining the total working days per year could be as follows (according to the appropriate legislation):

Days/year	365 days
less 52 weekends	104 days
less annual holidays	25 days
<u>less statutory holidays</u>	<u>11 days</u>
Total productive days:	225 days

If necessary, homogeneous sub-categories of profiles (e.g. Senior Project officer/ Junior Project officer) can be used as necessary so that the indicative daily salary cost is as representative of that particular sub-category as possible.

- Column "estimated number of working days" - the number of days of work to be performed on the project per category or sub-category of personnel or per person as applicable.

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<sup>5</sup> Including employer's charges

The actual time spent on the action must be recorded on a regular basis using timesheets or an equivalent time registration system established and certified by the employer. Timesheets must be dated and signed by the individual concerned and validated by the employer. It is recommended to adopt a single timesheet encompassing the overall time worked by each staff member (not just the time worked by the employee on the particular EU supported action).

Timesheets should not be sent to the Commission, except if specifically requested. For instance, when submitting the request for final payment, the beneficiary might be requested to provide pay slips and timesheets justifying the actual staff costs declared, as well as the basis for the calculation of daily rates and workable days.

#### 4.2.2.2. Travel, accommodation and subsistence (Heading 2 of the budget form)

Costs of travel and related subsistence allowances are eligible provided they are in line with the beneficiary's usual practices in force at the time of application. In the absence of usual practices for travel costs, these costs should not exceed the scales approved annually by the Commission.

These Commission rates are listed hereafter (in euros, per calendar day):

<b>Destination</b>	<b>Hotel ceiling in euros</b>	<b>Daily allowance in euros</b>
Austria	132	102
Belgium	148	102
Bulgaria	135	57
Croatia	110	75
Cyprus	140	88
Czech Republic	124	70
Denmark	173	124
Estonia	105	80
Finland	142	113
France	180	102
Germany	128	97
Greece	112	82
Hungary	120	64
Ireland	159	108
Italy	148	98
Latvia	116	73
Lithuania	117	69
Luxembourg	148	98
Malta	138	88
Netherlands	166	103
Poland	116	67
Portugal	101	83
Romania	136	62
Slovak Republic	100	74
Slovenia	117	84
Spain	128	88
Sweden	187	117
United Kingdom	209	125

Attendance lists of all meetings that take place in the context of the action must be established and signed by all participants. These lists must be provided to the Commission if so requested.

Journeys must be carried out by the most direct and economic route. Economy class fares will be used as the benchmark for analysing air travel costs. Air travel is acceptable only for distances above 400 km, i.e. return flight above 800 km. For other modes of transport, the benchmark is the first-class rail fare. Car journeys: equivalent of corresponding first-class train ticket.

The Daily subsistence allowances (DSA) are paid in addition to costs for accommodation as a flat-rate amount and are considered to cover breakfast and the two main meals, local transport, the cost of telecommunications and all other sundries. Daily subsistence allowances are to be calculated as follows according to the length of the mission:

- 6 hours or less: 20% of the daily allowance and any transport costs on the basis of supporting documents, up to EUR 0.22/km if a private car is used or the first-class rail fare if the journey is by train
- more than 6 hours but not more than 12 hours: 0.5 DSA;
- more than 12 hours but not more than 24 hours: 1 DSA;
- more than 24 hours but not more than 36 hours: 1.5 DSA;
- more than 36 hours but not more than 48 hours: 2 DSA;
- more than 48 hours but not more than 60 hours: 2.5 DSA;
- each successive 12-hour period: 0.5 DSA.

Please note that the Commission and the other European Institutions cover the travel and subsistence costs of their own officials when they participate in an event organised by the beneficiary/ies and these should therefore not be included in the budget estimate and will in any case be considered as not eligible.

If catering services are provided by the organisers, the DSAs directly paid to participants must be reduced accordingly. In such cases, the daily allowance must be reduced by 25% for each meal provided, and by 15% for breakfast.

#### 4.2.2.3. Purchases (Heading 3 of the budget form)

The implementation of a project may require the buying of goods or services in order to carry out specialised tasks that beneficiaries cannot do themselves (i.e. translations, production of documents, web site creation, informatics support, catering, etc.). This does not involve externalisation of parts of the action directly related to the main objectives of the action. The related contracts are specified as “necessary for the implementation of the action” in Article II.10 of the grant agreement.

The beneficiary should have the operational capacity to carry out the activities related to the main objectives of the proposed action. Nevertheless, if the personnel does not have all the skills required, where justified and necessary, specific tasks that are part of the action (except the core tasks defined in the call document) may be executed by another person or organisation by means of a contract between one or more of the beneficiaries and a subcontractor. This type of procurement is specified as "subcontracting of tasks forming part of the action" in Article II.11 of the grant agreement.

Implementing contracts and subcontracting between beneficiaries (and if applicable, between beneficiaries and affiliated entities) is not allowed.

Subcontracting project core tasks such as project management or coordination is not allowed.

The estimated costs relating to any implementing contracts and any subcontracting should be indicated in the appropriate heading in the estimated budget and, if the proposed action is selected to receive an EU grant, the award of such contracts will be subject to the procedures indicated below.

**Dissemination costs** can be taken into account provided that they are directly related to the action. This cost item covers in particular expenditure related to creating/maintaining web-pages, databases and any dissemination activities other than printed promotion material and publications.

**Publication costs:** Please give, for each publication and/or other materials, a description, an estimate of the number of pages and copies foreseen, the frequency and language of publication, an indication of the production costs per copy, as well as an estimate of the distribution costs where appropriate.

Costs incurred for the production of communication material, including notice boards and websites, not mentioning that the Beneficiary has received funding from the relevant funding programme, may be considered as ineligible by the Commission.

**Translation costs** must include the following details: the number of languages, the number of pages to be translated and the rate applied per page.

**Interpretation:** the different components must be specified. In particular, the number of languages, the number of interpreters, the number of days and the daily rates must be specified. Interpreters should be hired locally.

**Expenses for meeting room rental and/or equipment and related catering** must be detailed and further explained in the budget form.

**External expertise** includes expenses relating to contracts not covered under the previous cost items as well as costs relating to the subcontracting of tasks forming part of the action.

### **Main procurement rules for the award of implementing contracts and subcontracting**

The Financial Regulation lays down the principles that should govern the conclusion of external contracts necessary to implement the action: the beneficiary may award the contract in accordance with its usual purchasing practices provided that the contract is awarded to the tender offering best value for money, i.e. the best price-quality ratio, or, as appropriate, to the tender offering the lowest price. In doing so, the beneficiary shall take care to avoid any conflict of interests.

The beneficiary is expected to clearly document the tendering procedure and retain the documentation in the event of an audit.

The beneficiary shall also ensure that the conditions applicable to itself under the articles of the General Conditions to the Grant Agreement related to liability, conflict of interests, confidentiality, data protection, ownership and use of results (including intellectual and industrial property rights), checks, audits and evaluation are also applicable to the contractors.

The beneficiary remains solely responsible for carrying out the action and for compliance with the Agreement. The beneficiary must undertake the necessary arrangements to ensure that the contractors and subcontractors waive all rights in respect of the Commission under the agreement.

Within the respect of these principles, the beneficiary may organise the award of contracts according to their usual practices.

Contracts and Sub-contracts entered into by a "public" beneficiary, i.e. a "contracting authority" within the meaning of EU Directives on public procurement procedures<sup>6</sup> must be awarded in accordance with the applicable national rules on public procurement.

Where the value of the procurement contract to be awarded exceeds EUR 60 000, the Financial Regulation allows for the imposition of specific rules of procedure which are determined with due regard to the principles of proportionality and simplification taking account of the estimated value of the contracts concerned, the relative size of the Union contribution in relation to the total cost of the action and the management risk. If specific conditions are imposed, these will be indicated in the text of the call document for each specific call and will be considered conditions for the eligibility of costs. They will, therefore be inserted in the grant agreement (under "Other special conditions"). At the time of the final payment, the respect of the rules may be checked in order to guarantee the eligibility of costs.

#### **Additional rules for subcontracting**

- a) Subcontracting may not cover core tasks of the action such as project management or coordination;
  - b) Recourse to the award of subcontracts must be justified in relation to the nature of the action and what is necessary for its implementation;
  - c) The tasks to be subcontracted must be set out in the description of the action and the corresponding estimated costs must be set out in detail in the budget estimate;
  - d) If not foreseen in the initial proposal (and subsequently in Annex I to the grant agreement), any recourse to subcontracting while the action is underway shall be communicated by the beneficiary in writing and approved by the Commission. The Commission may grant approval:
    - i. before any recourse to subcontracting, if the beneficiary requests an amendment as provided for in the relevant Article of the grant agreement; or
    - ii. after recourse to subcontracting if the subcontracting:
      - is specifically justified in the final technical report; and
      - does not entail changes to the Agreement which would call into question the decision awarding the grant or be contrary to the equal treatment of applicants;
- NB.: Since a negative opinion by the Commission with regard to the criteria indicated in ii) above would entail the related costs being declared ineligible, it is strongly recommended to seek prior written approval of the Commission before recourse to any subcontracting not foreseen in Annex I to grant agreement.
- e) The beneficiary must undertake to ensure that the terms, mentioned above, applicable to itself under the agreement are also applicable to the subcontractor.
  - f) The beneficiary shall ensure that the conditions applicable to itself under the relevant article of the Grant Agreement regarding visibility of Union funding are also applicable to subcontractors.

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<sup>6</sup> Directives 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2001/4/EC and 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC

The coordinator shall not subcontract any part of its coordinator's tasks (see Article II.2.3 of the General Conditions) to the other beneficiaries (in the case of multi-beneficiary grant agreements) or to any affiliated entity, associated organisation, donor or any other third party.

#### 4.2.2.4. Other costs (Heading 4 of the budget form)

**Depreciation for purchase of equipment:** the purchase cost of equipment or other assets (new or second-hand) is eligible if it is written off in accordance with the international accounting standards and the beneficiary's usual accounting practices and has been purchased in accordance with the procurement rules indicated above if the purchase occurred within the implementation period.

The costs of renting or leasing equipment or other assets are also eligible, provided these costs do not exceed the depreciation costs of similar equipment or assets and are exclusive of any finance fee;

Only the portion of the equipment's, depreciation, rental or lease costs corresponding to the period of eligibility for EU funding covered by the grant agreement and the rate of actual use for the purposes of the action may be taken into account by the Commission.

Costs for external **audits** required by the call or grant agreement (see section 13 below); **financial costs** such as those relating to any bank guarantee required under the terms of the specific call or grant agreement and other administrative costs such as costs for consumables and supplies directly assigned to the action and purchased according to the procurement rules.

#### 4.2.3. Indirect costs (Overheads)

Indirect costs are costs, which cannot be identified as specific costs directly linked to the project but are necessary to run, manage and administrate the beneficiary's organisation. They are limited to a flat-rate of 7% of the total eligible direct costs for the action. These can include maintenance, stationery, photocopying, mailing postage, telephone, internet and fax costs, heating, electricity or other forms of energy, water, office furniture, insurance and any other expenditure necessary for the successful completion of the project. Postage costs are considered as overhead costs and cannot be accepted under the headings "publications" or "administration".

Such costs do not need to be supported by accounting documents. The budget forms gives an indication of the maximum amount of indirect costs per applicant but does not automatically include them which needs to be done by the coordinator.

**Indirect costs are not eligible for an action where the beneficiary already receives an operating grant from the EU or Euratom budget** during the period covered by the operating grant, unless they can demonstrate that the operating grant does not cover any costs of the action.

#### 4.2.4. Ineligible costs

The following costs are ineligible and therefore not accepted:

- return on capital and dividends paid by a beneficiary;
- debt and debt service charges;
- provisions for losses or debts;
- interest owed;
- doubtful debts;
- exchange losses;
- costs of transfers from the Commission charged by the bank of a beneficiary;

- costs declared by the beneficiary in the framework of another action receiving a grant financed from the Union budget (including grants awarded by a Member State and financed from the Union budget and grants awarded by other bodies than the Commission for the purpose of implementing the Union budget); in particular, indirect costs shall not be eligible under a specific grant for an action awarded to the beneficiary when it receives an operating grant financed from the Union or Euratom budget for the period covered by the operating grant, unless they can demonstrate that the operating grant does not cover any costs of the action;
- contributions in kind from third parties: these are non-financial resources made available free of charge and thus not invoiced, (voluntary work, equipment or premises made available free of charge);
- excessive or reckless expenditure;
- deductible VAT. VAT will be ineligible when the activities to be supported through the grant are taxed activities/exempt activities with right of deduction or activities engaged in by bodies governed by public law acting as a public authority of a Member State (i.e. activities resulting from the exercise of sovereign powers or prerogatives exercised by Member States under the special legal regime applicable to them in line with Article 13(1) of Council Directive 2006/112/EC<sup>7</sup>: e.g. police, justice, definition and enforcement of public policies, etc.).
- Taxes for which the beneficiary is liable in its capacity as a business entity (e.g. IRAP in Italy, Gewerbesteuer in Germany). Especially when the tax itself is not a part of the salary or the payroll for staff assigned to the action, or other legal costs included in the remuneration. That kind of tax is actually payable by the entity or by the person subject to its productive activity in general. Therefore, it is not a necessary cost for the implementation of the action and is not considered as eligible.
- Costs incurred by a third party to the Grant Agreement.

### 4.3. Income

Total income must be identical to total expenditure. The income side of the budget must show:

- The beneficiary's contribution: the direct financial contribution from the applicant's own resources (i.e. an effective expenditure for which a financial flow can be traced in the accounts such as staff costs, equipment costs, ...);
- Any financial contributions given by third parties to a beneficiary or to an affiliated entity, if they are specifically assigned by the third parties to the financing of the eligible costs of the *action* reimbursed by the Commission in accordance with Article I.3.2(a)(i) of the grant agreement.
- The revenue generated by the action: any income expected to be generated by the implementation of the action should be detailed (such as the yield from sales of publications or conference registration fees).
- The EU grant: the grant requested from the Commission.

## 5. ESTABLISHING THE GRANT

If the proposal is awarded a grant, the Commission will calculate the EU contribution as a percentage of the total eligible costs as shown in the estimated budget for the implementation of the action.

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<sup>7</sup> OJ L 347, 11.12.2006, p.1

The Commission reserves the right to invite the applicant to correct the grant requested if the proposal is acceptable but includes non substantial ineligible costs (e.g. audit certificate costs when the certificate is not requested, staff costs already financed by another project financed by Union budget, elimination of not eligible activities...) or requires non-substantial adjustments to optimise cost-effectiveness (e.g. reduction of number of working days if these are estimated to be too high, elimination of non-essential activities, etc.).

### **Determination of the final amount of the grant**

The final amount of the grant is calculated by the Commission at the time of the payment of the balance. The calculation involves the following steps:

#### Step 1: Application of the reimbursement (co-financing) rate to the eligible costs.

The amount under step 1 is obtained by applying the co-financing rate specified in article I.3.2 of the grant agreement to the total eligible costs actually incurred and accepted by the Commission, including costs declared in the form of 7% flat rate covering the eligible indirect costs.

#### Step 2: Limit to the maximum amount of the grant

The final amount of the grant may in no circumstances exceed the maximum amount of the grant as indicated in the grant agreement.

If the amount obtained following Step 1 is higher than this maximum amount, the final amount of the grant is limited to the maximum amount of the grant specified in the grant agreement. It is therefore in the applicant's interest to submit a realistic estimate of expenses.

#### Step 3: Reduction due to the no-profit rule

(Step 3 is not applicable for grants taking the form of financing not linked to costs, low value grants (i.e. < EUR 60 000) and beneficiaries or affiliated entities which are a non-profit organisation).

The grant may not have the purpose or effect of producing a profit within the framework of the action for the beneficiary<sup>3</sup>.

Profit is defined as the surplus of the receipts over the consolidated total eligible costs approved by the Commission, when the request is made for payment of the balance.

Receipts are the amount obtained following step 1 and 2 plus de revenue generated by the action. Financial contributions by third parties and own contribution from the beneficiary(es) are not considered receipts.

The revenue generated by the action is the consolidated revenue established, generated or confirmed for beneficiaries other than non-profit organisations on the date on which the request for payment of the balance is drawn up and must be indicated in the estimated budget and the final financial statement.

If there is a profit, it will be deducted from the amount calculated following Step 1 and 2, in proportion to the final rate of reimbursement of the actual eligible costs of the action approved by the Commission for the categories of costs referred to in Article I.3.2(a)(i) of the grant agreement.

A mere forecast of expenditure does not give entitlement to a grant. This is why the exact amount of the final grant cannot be calculated until the Commission has received the final activity report and the final statement of expenditure.



The expenditure that is committed to the implementation of the action must be justified by invoices, payslips, timesheets, ... or equivalent supporting documents, in order to be accepted as actual expenditure. It must also relate to actual rather than budgeted costs. Justifying documents should not be attached to the final cost claim provided by the beneficiary but they must be kept on file for a period of five years (3 years for low value grants) after the final payment, and make them available to the Commission upon request. This obligation concerns all documents used to draw up the final costs claim including those of the co-beneficiaries and affiliated entities if applicable.

#### Step 4: Reduction due to improper implementation or breach of other obligations

The Commission may reduce the maximum amount of the grant if the action has not been implemented properly (i.e. if it has not been implemented or has been implemented poorly, partially or late), or if another obligation under the Agreement has been breached.

The amount of the reduction will be proportionate to the degree to which the action has been implemented improperly or to the seriousness of the breach.

## **6. AGREEMENT COVERING THE GRANT**

Should the Commission award a grant, a grant agreement setting out the conditions and maximum level of funding will be concluded with the beneficiary. A multi-beneficiary grant agreement will be signed in the case of proposals submitted by a consortium. The agreement will detail the specific obligations of the coordinator and the other beneficiaries.

## **7. REPORTING AND PAYMENT PROCEDURES**

Payments will be made to the beneficiary or to the beneficiary acting as coordinator in the case of proposals submitted by a consortium.

The payment procedures will be laid down in the grant agreement.

Payment of the grant is generally made in pre-financing instalments and a final payment (the balance). The aim of the pre-financing is to provide the beneficiaries with a float. The pre-financing remains the property of the Union until the payment of the balance. The frequency and size of pre-financing and balance payment will in principle be as described hereafter but may be adjusted according to the risk assessment of the responsible Authorising Officer.

### **For actions of 12 months or less (not applicable for this call):**

- A pre-financing payment of 50% of the grant within 30 calendar days from the entry into force of the grant agreement. If a guarantee is required, the pre-financing payment will be subject to the receipt of the guarantee.
- The balance will be paid within 90 calendar days from receipt by and subject to the approval of the Commission of the request for payment of the balance, the final technical implementation report and final financial statement (and, if required, a certificate on the financial statements and underlying accounts). If the total amount of earlier payments is greater than the final amount of the grant, the payment of the balance will take the form of a recovery.

### **For actions between 12 months and 24 months:**

- A first pre-financing payment of 25% of the grant within 30 calendar days from the entry into force of the grant agreement. If a guarantee is required, the pre-financing payment will be subject to the receipt of the guarantee.

- A second pre-financing payment of 50% within 60 calendar days from receipt by the Commission of a request for payment, a progress report on implementation of the action and detailed statement on the use of the previous pre-financing instalment. Those documents must be submitted within 60 calendar days following the end of the reporting period in question. Where the consumption of the previous pre-financing is less than 70%, the amount of the new-pre-financing payment shall be reduced by the difference between the 70% ceiling and the amount used. If a guarantee is required, the pre-financing payment will be subject to the receipt of the guarantee. Beneficiaries may renounce to the second pre-financing payment but, for monitoring purposes, they must produce a progress report and a detailed statement of expenses.
- The balance will be paid within 90 calendar days from receipt by and subject to the approval of the Commission of the request for payment of the balance, the final technical implementation report and final financial statement (and, if required, a certificate on the financial statements and underlying accounts). If the total amount of earlier payments is greater than the final amount of the grant, the payment of the balance will take the form of a recovery.

For actions with duration of up to 18 months, the reporting period shall be 9 months. For actions of more than 18 months and up to 24 months, the reporting period shall be 12 months.

## **8. GUARANTEE**

The Commission may require the beneficiary to provide a guarantee in advance, in order to limit the financial risk linked to the payment of the pre-financing.

The decision to request of bank guarantee is only possible for grants of more than EUR 60 000, and is to be taken by the responsible authorising officer, if he/she deems it appropriate and proportionate, on a case-by-case basis and subject to a risk analysis.

This guarantee shall be denominated in euro and shall be valid for a period sufficiently long to allow it to be activated. The guarantee shall be provided by an approved bank or financial institution established in one of the Member States.

When the beneficiary is established in a third country, the Commission may agree that a bank or financial institution established in that third country may provide the guarantee if it considers that the bank or financial institution offers equivalent security and characteristics as those offered by a bank or financial institution established in a Member State. Amounts blocked in bank accounts shall not be accepted as financial guarantees.

The guarantee shall remain in force until the pre-financing is cleared against payment of the balance by the Commission, and, in case the payment of the balance is made in the form of a debit note, three months after the debit note is notified to the beneficiary. The Commission shall release the guarantee within the following month.

In exceptional cases, the guarantee may be replaced by a joint and several guarantee by a third party or by the irrevocable and unconditional joint guarantee of the beneficiaries of an action who are parties to the same grant agreement.

As an alternative to requesting a guarantee on pre-financing, the Commission may decide to split the payment of the pre-financing into several instalments, or not paying it.

## **9. BANK ACCOUNT AND INTEREST GENERATED BY PRE-FINANCING PAYMENTS**

Payment shall be made to the beneficiary's bank account or sub-account denominated in euro (in the case of a consortium to the bank account of the beneficiary acting as coordinator).

Interest yielded by the pre-financing payments is not compulsory nor must it be reimbursed to the EU budget.

## **10. SUBMISSION OF THE FINAL REPORT AND OTHER DOCUMENTS**

Within 60 days after the closing date of the action, the beneficiary must submit to the Commission the final report on implementation of the action ("final technical report"), along with a final financial statement of all actual expenditure and actual revenue ("final financial statement"). Both reports must be submitted in a paper version (see section 14). The final implementation report must be completed using the template announced in the call that will also be annexed to the grant agreement. The summary financial statement referred to in the grant agreement shall also be submitted on paper.

If the beneficiary fails to submit the request for payment of the balance accompanied by the above mentioned documents within the above deadline, the Commission shall send a written reminder. If the beneficiary still fails to submit them within 60 days following the reminder, the Commission reserves the right to take the necessary legal steps to terminate the agreement (Procedure for termination).

Should the final report be deemed to be inadequate or of low quality, the Commission reserves the right to request additional information suspending the time limit for payment specified in the grant agreement. When the suspension exceeds two months, the beneficiary may request a decision by the Commission on whether the suspension is to be continued.

In addition to these requirements, other documents that might be indicated in the text of the call for proposals must also be provided.

## **11. DATA PROTECTION**

Beneficiaries must process personal data in compliance with the applicable EU and national law on data protection in accordance with the Regulation (EU) 2016/679.

Any personal data included in the Agreement must be processed by the Commission in accordance with Regulation (EU) No 2018/1725.

Such data must be processed by the data controller identified in Article I.7.1 solely for implementing, managing and monitoring the Agreement or to protect the financial interests of the EU, including checks, audits and investigations in accordance with Article II.27.

Please refer to Article II.7 of the General Conditions of the model grant agreements.

## **12. CHECKS AND AUDITS**

### **12.1. Audit report in support of grant applications**

Please refer to the section on "financial capacity" in the call for proposals and to section 6 of part B of this guide for applicants.

## 12.2. Audit report in support of requests for payment

A certificate on the financial statements and underlying accounts ('certificate on the financial statements') for each beneficiary and for each affiliated entity must be provided if:

- the cumulative amount of payments the beneficiary requests as reimbursement of actual costs (and for which no certificate has yet been submitted) is EUR 325 000 or more; and
- the maximum grant amount indicated for that beneficiary and its affiliated entities in the estimated budget as reimbursement of actual costs is EUR 750 000 or more.

This certificate must be produced by an approved external auditor or, in case of public bodies, by a competent and independent public officer.

The certificate must certify that the costs declared in the final financial statement by the beneficiary concerned or its affiliated entities for the subject categories of costs reimbursed are real, accurately recorded and eligible in accordance with the Agreement.

In addition, the certificate must certify that all the revenues generated by the *action* have been declared for the beneficiaries and the affiliated entities other than non-profit organisations.

The coordinator or single beneficiary must certify that the information provided in the request for payment of the balance is full, reliable and true.

The coordinator or single beneficiary must also certify that the costs incurred can be considered eligible in accordance with the Agreement and that the request for payment is substantiated by adequate supporting documents that can be produced in the context of the checks or audits.

In addition, the coordinator must certify that all the revenues generated by the action have been declared for each beneficiary and the affiliated entities other than non-profit organisations.

In specific and duly justified cases, the authorising officer responsible may request the certificate in the form of an opinion or other format in accordance with international standards.

The obligation to provide such a certification of the financial statements and underlying accounts may be waived based on a risk assessment:

- in the case of grant beneficiaries which are public bodies or international organisations;
- in the case of beneficiaries of multiple grants who have provided independent certification offering equivalent guarantees on the control systems and methodology used to prepare their claims;
- where an audit has been or will be directly done by the Commission's own staff or by a body authorised to do so on its behalf and which provides equivalent assurances about the costs declared.

The beneficiary/ies must provide any detailed information requested by the Commission or by another qualified outside body chosen by the Commission for the purposes of checking that the action and the provisions of the agreement are being properly implemented. The beneficiary must enable the Commission and/or the Court of Auditors to verify the organisation's accounting documents, if they deem this appropriate. To this end, documentation justifying items of expenditure must be retained by the applicant's organisation for five years following final payment by the Commission (three years in the case of low value grants).

# Part B - Guidance on completing the submission forms

## 1. INFORMATION ON THE PROPOSAL

Please provide the basic information on the proposal, the list of applicants and a summary not exceeding 500 words.

## 2. INFORMATION ON THE APPLICANTS

### 2.1. Coordinator (lead applicant)

This section requires the information on the coordinator, i.e. on the lead applicant of the proposal. Please complete all sections of the table.

Proof of legal details is to be provided by the duly signed and completed legal entity form ([https://ec.europa.eu/info/funding-tenders/how-eu-funding-works/information-contractors-and-beneficiaries/forms-contracts\\_en](https://ec.europa.eu/info/funding-tenders/how-eu-funding-works/information-contractors-and-beneficiaries/forms-contracts_en)) which must mandatorily be attached to the submission form. Please join the following necessary documents (copies only):

- a) For legal entities
  - Extract from the of companies or, if applicable, from the official gazette
  - VAT identification document, evidencing the VAT number
  - If applicable: statutes of the association
- b) For public bodies
  - Extract from the official gazette/decreed establishing the body
- c) For private persons
  - Copy of the national identity card or passport

As regards the contact details, any change in the addresses, phone numbers, fax numbers or e-mail, must be notified in writing to the Taxation and Customs Directorate-General. The Taxation and Customs Directorate cannot be held responsible in the event that it cannot contact an applicant.

### 2.2. Applicants

Please complete all sections for each of the applicant organisation, thus please repeat this part as often as required to include all applicants.

Proof of legal details is to be provided by the duly signed and completed legal entity form ([https://ec.europa.eu/info/funding-tenders/how-eu-funding-works/information-contractors-and-beneficiaries/forms-contracts\\_en](https://ec.europa.eu/info/funding-tenders/how-eu-funding-works/information-contractors-and-beneficiaries/forms-contracts_en)) which must mandatorily be attached to the submission form. Please join the following necessary documents (copies only):

- d) For legal entities
  - Extract from the of companies or, if applicable, from the official gazette
  - VAT identification document, evidencing the VAT number
  - If applicable: statutes of the association

- e) For public bodies
  - Extract from the official gazette/decreed establishing the body
- f) For private persons
  - Copy of the national identity card or passport

As regards the contact details, any change in the addresses, phone numbers, fax numbers or e-mail, must be notified in writing to the Taxation and Customs Directorate-General. The Taxation and Customs Directorate cannot be held responsible in the event that it cannot contact an applicant.

### **2.3. Affiliated entities**

This section needs to be completed only if the call is open to affiliated entities. Please see the call for proposals for detailed information. **Only if the call is open to affiliated entities, and only if applicable, please complete all sections for each of the affiliated entities, thus please repeat this part as often as required to include all affiliated entities.**

The supporting documents to be provided are the statutory documents (if the affiliated entity has a legal link with the respective applicant) or the consolidated accounts of the previous financial year (if the affiliated entity has a capital link with the respective applicant).

## **3. BANK DETAILS**

Proof of bank details is to be provided by the duly signed and completed financial identification form ([https://ec.europa.eu/info/funding-tenders/how-eu-funding-works/information-contractors-and-beneficiaries/forms-contracts\\_en](https://ec.europa.eu/info/funding-tenders/how-eu-funding-works/information-contractors-and-beneficiaries/forms-contracts_en)) which must mandatorily be attached to the submission form. Please ensure that the form is either countersigned by your banking institution or that a copy of a recent bank statement showing the IBAN number and the name of the account holder are visible.

## **4. INFORMATION ON THE GOVERNANCE OF APPLICANTS**

### **4.1. Coordinator (lead applicant)**

This section must be completed unless the supporting documents as listed in section 1.1 above provide the required information. Add as many rows as necessary.

### **4.2. Applicants**

This section must be completed unless the supporting documents as listed in section 1.2 above provide the required information. Repeat this part as often as required to include all applicants. Add as many rows as necessary.

## **5. EXCLUSION OF APPLICANTS**

Each applicant organisation must provide a duly completed and originally signed Declaration on Honour (template available here: [https://ec.europa.eu/taxation\\_customs/calls-tenders-grants-calls-expression-interest/TAXUD/2021/CFP-01-eu-tax-observatory\\_en](https://ec.europa.eu/taxation_customs/calls-tenders-grants-calls-expression-interest/TAXUD/2021/CFP-01-eu-tax-observatory_en)) in order to certify not being in one of the situations of exclusion listed in this form.

## 6. FINANCIAL AND OPERATIONAL CAPACITY OF APPLICANTS

Legal notice: This section is not applicable for applicants who are natural persons in receipt of scholarships or natural persons most in need and in receipt of direct support.

For grants of or below EUR 60 000 as well as for grants to public bodies and international organisations the only supporting document to be required is the Declaration on Honour (see section 5 above and the call text)

Where the application concerns grants for an action for which the amount exceeds EUR 750 000 for each applicant, an audit report produced by an approved external auditor must be submitted where it is available, *and always in case where a statutory audit is required by Union or national law*. This report shall certify the accounts for the last three<sup>8</sup> available financial years. If such audit report is not available, the applicant shall provide a self-declaration signed by the authorised representative certifying the validity of its accounts for up to the last three available financial years.

### 6.1. Financial capacity

#### 6.1.1. Proof of financial capacity

The **coordinator and each applicant (and, where applicable, affiliated entities)** shall provide the following documents as evidence for their financial capacity:

- Appropriate statement from banks or tax declaration or evidence of professional risk indemnity insurance (natural persons only).
- Balance sheets or extracts from balance sheets for the last financial year for which the accounts have been closed.
- Profit and loss account for the last financial year for which the accounts have been closed. For newly created entities, the business plan will replace closed accounts.

#### 6.1.2. Basic financial data

**Please complete the table for the coordinator and each applicant (including, where applicable, affiliated entities) only if the documents listed in point 6.1.1. cannot be made available for duly justified reasons.**

#### 6.1.3. Guarantees granted by third parties

Please state whether there are any financial guarantees provided by one or more third parties, for example a state guarantee (coordinator and/or applicants). Insert as many rows as necessary.

#### 6.1.4. Union grants

Are you currently a beneficiary of one or several Union grants, which are currently ongoing (coordinator and/or applicants)? Please state all Union grants awarded to you and for which you have not yet received the final payment. Insert as many rows as necessary.

### Legal notice

Applicants must inform the Taxation and Customs Directorate-General of any other applications for Union grants approved after the submission of this grant application

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<sup>8</sup> Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012.

## 6.2. Operational capacity

The **coordinator and each applicant (and, where applicable, affiliated entities)** shall provide the following documents as evidence for their operational capacity:

### 6.2.1. Experience of the applicant organisations in the policy field of this call for proposals

Brief descriptions (free format) of two recent projects in which the applicant organisations were involved in the past four years. The projects should be related to the policy field of this call for proposals. If the projects are publicly available, a link should be provided to the final output. The description shall include information on the roles and activities, which the respective applicant organisation fulfilled.

**Important note:** Projects carried out for European Institutions are fully acceptable as references. In cases where several applicant organisations participated in the same project, this participation may be taken into consideration by each of those applicant organisations when preparing the above descriptions.

### 6.2.2. Qualifications and experience of staff members in the policy field of this call for proposals

At least two (and not more than 10) curricula vitae or descriptions of the profile of the staff primarily responsible for managing and implementing the action and clearly highlight relevant (academic) qualifications and experience for the current action, i.e. economic analysis, analysis of tax law, taxation and fiscal policies, company and personal taxation, VAT, excise duties, tax control, tax co-operation (including tax treaties), and/or the fight against tax fraud and tax evasion, etc.



## Annex – Checklist for applicants

A cover letter, duly signed by the authorised representative of the applicant organisation (coordinator) is attached.	<input type="checkbox"/>
All sections of the application form have been filled in, where appropriate, in accordance with the guide for applicants.	<input type="checkbox"/>
The completed description of the action, following the mandatory template, is attached.	<input type="checkbox"/>
All pages of the budget forms have been printed, duly signed and attached.	<input type="checkbox"/>
Legal details have been included in the Legal Entity Form which is accompanied by the necessary supporting documents.	<input type="checkbox"/>
Bank details have been included in the Bank Account Form.	<input type="checkbox"/>
Balance sheets or extracts from balance sheets for the last year for which accounts have been closed have been included with the application form.	<input type="checkbox"/>
Profit and loss account for the last financial year for which the accounts have been closed has been included with the application form.	<input type="checkbox"/>
The declaration(s) of honour has (have) been signed and attached.	<input type="checkbox"/>
Affiliated entities: statutory documents and consolidated accounts.	<input type="checkbox"/>
The necessary documents proofing the operational capacity of the applicant organisations are included.	<input type="checkbox"/>