



17 December 2012

**EXPLICATIVE NOTE
ON THE MODIFICATION OF THE FP7 MODEL GRANT AGREEMENTS
ADOPTED BY THE EUROPEAN COMMISSION ON 14/12/2012**

The Commission Decision adopted on 14/12/2012 introduces as from 01 January 2013 the following changes to the FP7 model grant agreements:

1. Modifications of the FP7 grant agreements due to the revision of the Financial Regulation

On 25 October 2012, the European Parliament and the Council adopted Regulation (EU, Euratom) No 966/2012 on the financial rules applicable to the general budget of the Union repealing Council Regulation (EC, Euratom) No 1605/2002 (hereinafter "Financial Regulation")¹. This Regulation introduces new rules as from 1 January 2013 more favourable to beneficiaries of Union projects.

The main changes affecting the FP7 model grant agreements are the following:

- **time-to-pay:** the time limit allowed for making payments to beneficiaries were reduced to 30 days for the pre-financing and to 90 days for the interim and final payments;
- **interest on pre-financing:** the beneficiaries of EU funds will no longer be obliged to deposit pre-financing on interest-bearing bank accounts and to declare the interest yielded by these accounts.
- **financial support to third parties:** the Commission introduced lighter conditions under which beneficiaries may give financial support to third parties in cases where such financial support is required by the implementation of an action or a work programme.

*NB: The Financial Regulation also modifies the conditions in which VAT could be considered eligible. However, please note that this **change does not affect FP7** as the ineligibility of the VAT is specifically established in article 31.1 (e) of the Rules for Participation (Regulation (EC) no 1906/2006 of 18 December 2006). Therefore, the "identifiable indirect taxes including value added tax (VAT)" will remain ineligible for the rest of the FP7 programmes.*

¹ OJ L298, 26.10.2012, p.1

The table below explains how the FP7 grant agreements are affected:

Rules applicable to FP7 model GAs		
	Situation before 31/12/2012	Situation as from 01/01/2013
New grants (signed as from 01/01/2013)	Not Applicable	<u>New rules apply</u> and a <u>new (revised) model Grant Agreement should be signed</u> ; <u>E.g.</u> no obligation to open/declare interest yielding bank account
Ongoing grant agreements and New grants (signed before 31/12/2012)	<u>Grant agreements are not affected as the current rules continue to apply until 31/12/2012.</u> E.g. the interest on pre-financing has to be declared and reimbursed to the Commission by the Coordinator.	<u>Grant agreements will be subject to the new rules</u> : New rules will automatically apply as from 01/01/2013 without the need for formal individual amendments. No action is needed from the consortium. <i>For example for an on-going project if the reporting period covers 1.6.2012 to 31.5.2013, interest should be declared from 1.6.2012 to 31.12.2012, no interest from 1.1.2013 to 31.5.2013.</i>

2. Modifications of the grant agreement in order to allow for the electronic-only signature and transmission of Form C and electronic-only transmission of certificates on financial statements and on methodology

For grants to be signed from 1.1.2013, the obligation to submit the financial statements (Form C), certificates on financial statements and certificates on the methodology (Forms D and E) on paper is removed.

More precisely, the consortium shall transmit the reports and other deliverables through the coordinator to the Commission using the electronic exchange system set up by the Commission. In particular:

- Form C must be transmitted and electronically signed through the electronic exchange system by the authorised person(s) within the beneficiary's organisation.
- The certificates on the financial statements and the certificates on the methodology must be hand-signed by an authorised person of the auditing entity on paper and a scanned copy of the certificates shall be transmitted through the electronic exchange system.

More information on these changes is included in the enclosed guidance note "FP7 Quick Information letter on the electronic-only transmission and signature of Form C and electronic-only transmission of certificates (Forms D and E)".

The table below explains how these changes affect FP7 grant agreements:

Rules applicable to FP7 model GAs	
New grants (signed as from 01/01/2013)	<u>New rules apply</u> and a <u>new (revised) model Grant Agreement will be signed</u>; <u>E.g.</u> the electronic-only signature and transmission of Form C and electronic-only transmission of certificates on financial statements and on methodology is compulsory for all new grant agreements signed after 01/01/2013. No more paper system is available anymore.
Ongoing grant agreements and new grants (signed before 31/12/2012)	<u>Grant agreements are not automatically affected as the current rules continue to apply.</u> However, the consortium may opt, <u>for the application of the electronic-only signature and transmission</u> of financial statements (Form C), and electronic-only transmission of certificates on financial statements and certificates on the methodology (Forms D and E). To this end they <u>must introduce a request for an amendment via the coordinator</u>. The template amendment letter to be send by the coordinator to the Commission is enclosed to the present note.