

Position Paper

Calculation of Personnel Costs in Horizon Europe

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Bitkom welcomes the continued efforts of the European Commission to further simplify the procedures in the next research and innovation framework programme, Horizon Europe. Bitkom especially appreciates the efforts to facilitate access to the programme for SMEs and startups as both are affected disproportionately by administrative costs and often do not participate in European research projects at all. As a result, valuable innovation potential is not exploited – not only by the companies themselves, but above all for Europe and its ambitious agenda as a whole.

Simple procedures are crucial for widespread participation and ultimately for the success of Horizon Europe. However, contrary to the Commission's intention, **Bitkom believes that the currently proposed calculation changes on personnel costs neither simplify the procedures nor do they reduce the risk of errors.** To this end, Bitkom would like to make the following remarks regarding the Model Grant Agreement.

The proposed **switch from hourly rates to daily rates** for the calculation of personnel costs in Horizon Europe would not lead to a simplification for most companies as it **does not reflect the usual cost accounting practices.** Given the fact that many of the companies' employees do not work on the same project all day or do work in part-time, most companies are using times sheets based on hours. These hours would have to be manually converted into days' equivalents in order meet the Horizon Europe requirements. This conversion will not only increase the risk of errors, but also put unnecessary costs on companies. In addition, the current draft of the Model Grant Agreements **misses the option to use average unit costs** when calculating personnel costs, which would be a significant **deviation from usual accounting principles.**

Furthermore, in the current proposal the calendar year, and no longer alternatively the financial year, would form the **basis for calculation** within Horizon Europe. As in many companies the fiscal year differs from the calendar year, these companies would have to make accruals and deferrals in project controlling especially for Horizon Europe.

Bitkom also views the **fixed number of 215 days per year to be used as denominator** irrespective of working contracts and countries for the calculation of the daily rate for a

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full calendar year in Horizon Europe critically as this would **create imbalances between countries**. The number of annual working days varies considerably between Member States and companies depending on the employees' statutory and individual holidays and vacation days. While for example in Belgium or Ireland, the number of agreed annual leave and public holiday sums up to 29 days, they amount to 39 days in Germany and Denmark. These differences have a major impact on the calculated personnel costs and could cause significant imbalances within Europe.

In future in internal invoices the 2 % flat rate for covering overhead cost is not foreseen anymore. The deletion of overhead cost in internal invoices would only be a simplification, if usual internal accounting values with a proof of the usual accounting practice would be accepted.

Hence, the Model Grant Agreement in its current form would lead to a situation where the calculation of personnel costs in Horizon Europe strongly differs from companies' usual cost accounting practices. Companies participating in Horizon Europe would be forced to use a »double-entry bookkeeping« for their research projects. Given the administrative costs associated with this, SMEs and startups would suffer particularly from this and might withdraw further from Horizon Europe. In order to avoid administrative burdens for as well as imbalances within Europe, **Bitkom believes that the Horizon 2020 approach to personnel costs calculations should be kept**. Building upon the well-proven approach under Horizon 2020, companies can leverage the benefits of continuity and reduce the costs associated with errors and adaptations to make full use of Horizon Europe.

Bitkom represents more than 2,700 companies of the digital economy, including 2,000 direct members. Through IT- and communication services alone, our members generate a domestic annual turnover of 190 billion Euros, including 50 billion Euros in exports. The members of Bitkom employ more than 2 million people in Germany. Among these members are 1,000 small and medium-sized businesses, over 500 startups and almost all global players. They offer a wide range of software technologies, IT-services, and telecommunications or internet services, produce hardware and consumer electronics, operate in the digital media sector or are in other ways affiliated with the digital economy. 80 percent of the members' headquarters are located in Germany with an additional 8 percent both in the EU and the USA, as well as 4 percent in other regions of the world. Bitkom promotes the digital transformation of the German economy, as well as of German society at large, enabling citizens to benefit from digitalisation. A strong European digital policy and a fully integrated digital single market are at the heart of Bitkom's concerns, as well as establishing Germany as a key driver of digital change in Europe and globally.