Guidelines for controllers of Interreg NEXT projects on civil law contracts in Ukraine

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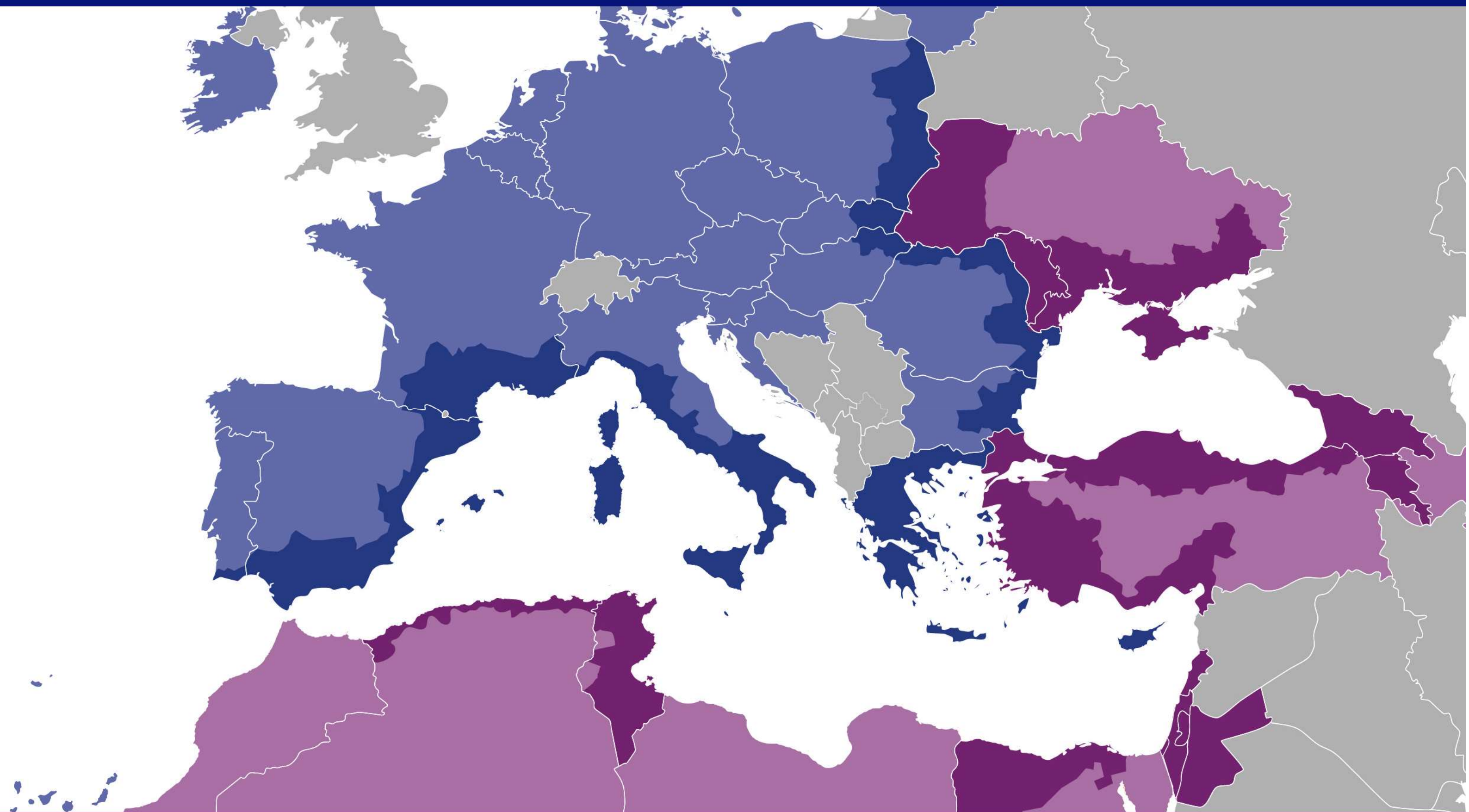

Interreg TESIM NEXT

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Introduction

The purpose of this document is to provide guidance to the Ukrainian controllers who are responsible for verifying the eligibility of expenditure on projects implemented in the Poland-Ukraine (PLUA), Hungary-Slovakia-Romania-Ukraine (HSRU), Romania-Ukraine (RO-UA) and Black Sea Basin (BSB) Interreg NEXT Programmes. This guidance explains how payments to individuals under civil law contracts in Ukraine are handled by the different programmes.

1. Payments to individuals and budget headings

All payments to individuals who are not entrepreneurs are taxed equally in Ukraine. For this reason, payments to individuals can be allocated in the project budget under the budget heading "Staff costs" or under the budget heading "Services", even in the framework of the use of simplified cost options, where no verification on supporting document is needed for staff when a flat rate is applied. In general,

- The budget heading "Staff costs" covers the labour costs by employment contracts,
- The budget heading "Services" covers the costs of services provided by legal persons and individuals under all contracts other than labour contracts.

IMPORTANT!

In the case of civil law contracts, the procurement rules must be respected regardless of which budget heading the costs are allocated to.

However, civil contracts may be considered in one or the other category depending on the rules of the programme. In fact, **each programme has a different approach,** which controllers shall consider when carrying out expenditure verifications.

IMPORTANT!

Cost allocation under the incorrect budget heading according to programme rules shall cause cost ineligibility

Moreover, in case project beneficiaries are assigning staff under civil law contracts and staff costs are reimbursed as a **flat rate**, they cannot declare the same civil law contracts under other budget lines, such as "External expertise and services", as it would constitute double financing.

2. Programme rules

Below is a summary of the programme rules with links to the sources of information.

Programme	Summary of the rules	Where to check the information
Poland-Ukraine	Payments to individuals under civil law contracts may be allocated to the budget heading **"Staff Costs"** and recognised as eligible by the controllers if those costs have all the features of labour costs and the person which whom civil law contract is conducted has a labour contract with the beneficiary for another job. If a person providing services to a beneficiary does not have a parallel labour contract with the same beneficiary, these costs must be charged to the budget line **"External expertise and services"**.	https://www.pl-ua.eu/en/pages/606 (Programme manuals in the section "For project partners")
Hungary-Slovakia-Romania-Ukraine	Payments to individuals under civil law contracts must be allocated under the budget heading **"External expertise"** and NOT "Staff costs".	https://next.huskroua-cbc.eu/downloads/documents/ (Programme manuals in the section "Downloads")
Romania-Ukraine	Payments to individuals under civil law contracts must be allocated to the budget heading **"Staff costs".**	https://ro-ua.net/en/funding/calls-for-proposals (Programme manuals in the section "Funding")
Black Sea Basin	Payments to individuals under civil law contracts must be allocated to the budget heading **"Staff costs".**	https://blacksea-cbc.net/interreg-next-bsb-2021-2027/programme-documents (Programme documents)

<u>IMPORTANT!</u>

Rules may apply differently even if beneficiaries are located in the same oblast of Ukraine.

For example, RO-UA has two overlapping oblasts (Zakarpatska and Ivano-Frankivska) with PL-UA and HU-SK-RO-UA, which means that <u>beneficiaries who are located on the same territories must follow different rules</u>, and the controllers need to use these rules to check the declared expenditure.