

Guidance Note 9 In-Kind Contributions

I. What is an in-kind contribution?

An in-kind contribution is a donation made to a project, either from a Partner or from an external organisation. These contributions may be considered as part of the eligible expenditure of the project, and used as match-funding, provided that the rules set out below are followed.

The test to determine whether a contribution made to a project is considered to be an in-kind contribution or not is whether a Project Partner has made a payment for the goods, services or land during the lifetime of the project. If the Partner has made a payment then this is not considered to be an in-kind contribution.

Examples of in-kind contributions include;

- Voluntary labour;
- Donation of land by an external organisation or which a Partner already owns;
- Free use of vehicles or equipment;

Contributions which would not be considered to be in-kind include;

- Staff employed by the Partners who receive a salary;
- Purchases of goods and services.

For the purpose of this fact sheet these shall be referred to as, “real costs.”

Due to the complexity of this type of expenditure Project Partners are advised to contact the JS for advice if they intend to claim In-kind contributions.

II. General rules on in-kind contribution¹

In order to be considered as an eligible expenditure, the following general rules must be followed in relation to in-kind contributions;

- The Partners must not have paid for the works, goods, services or land claimed as a contribution. It is not allowable to purchase works, goods services or land with the intention of using them to implement the project, and then to “donate” them as an in-kind contribution,
- The value of the contribution claimed must not exceed the normal market costs, and the rationale for the value given in the claim must be capable of being verified. For example, where a project receives the donation of a vehicle, it would be expected that prices for vehicles of a similar model, age, and condition would be sourced for comparison.

¹ Article 69 of Regulation (EU) No. 1303/2013

For the purposes of budgeting a project, and submitting claims, the in-kind contributions should be included under the same budget lines as their real cost equivalents. For example, voluntary labour should be counted under staff costs, donations of machinery should be counted under equipment and donations of land should be counted under Infrastructure and construction budget line.

A. Maximum amount of in-kind contribution²

The total amount paid to the project from the Programme to the project cannot exceed the amount of real costs that the Partners have incurred. In other words, the percentage of eligible expenditure consisting of an in-kind contribution may not exceed the co-financing rate of the project.

Example

A project has a total budget of 200,000€, with a co-financing rate of 60%, meaning the Programme would normally pay 120,000€ of this amount, whilst the Partner Contribution would be 80,000€. However, when the project compiles its claim the expenditure is as follows;

In-Kind Contributions	100,000€
Real Cost	100,000€
Total	200,000€

Programme payment to the project would be capped at 100,000€ as this is the total amount of cash paid out by the Project Partners, reducing the co-financing rate to 50%.

Partners should therefore consider this carefully whilst budgeting and managing their project to ensure they have sufficient real cost to be able to claim the full amount they expect.

III. Specific Rules for in-kind contributions

A. Voluntary workers

Voluntary workers providing support to a project may be claimed as an in-kind contribution and should be entered under the staff costs budget line. When it comes to establishing the value of the voluntary work this will be the minimum hourly wage for the country the voluntary workers are working in.

In order to claim this amount, Partners need to have a system in place to record the hours worked by the voluntary staff. The timesheets or equivalent documents produced by this system should be included in the claim.

The in-kind contribution counted under this budget line will count as a part of the eligible staff costs used in the calculation of the flat rate for Office and Administration expenditure.

² Article 69(a) of Regulation (EU) No 1303/2013

United Kingdom:

For voluntary workers engaged in the UK, the minimum wage rate to be applied is the rate for workers over the age of 25.

France:

For voluntary workers engaged in France, the rate to be applied is 100% of the SMIC rate.

B. Land

In addition to the general rules for in-kind contribution, the following additional rules relate to the donation of land to the project.

- The value of the land must be certified by an independent qualified expert (for example, a chartered surveyor)³ through an independent valuation⁴.
- Where the donation takes the form of a lease agreement, there is an exemption to the usual rule that no payment can be made. In this situation it is allowed for the lease to include a payment of 1€ or £1 per year, in order to ensure that the lease agreement recognised in law⁵.
- The value of the land included as part of the project claims (either in kind or on a real cost basis) must not exceed 10% of the total expenditure in the project.⁶

Project Partners should be aware that if they temporarily donate land to a project and it returns to them after the completion of the project, any increase in value as a result of improvements made to the land financed by the project shall be treated as revenue, and the eligible expenditure of the project will be reduced to take this into account. Please refer to the Guidance Note 10 on “Revenue” for more information.

IV. Audit Trail for In-Kind Contributions

In order to claim for an in-kind contribution, Partners must be able to produce a calculation for the value, including the rationale and supporting evidence for the calculation. They must also be certain that the value they are attributing the contribution does not exceed the market value⁷.

For example, if a project wished to claim the donation of a vehicle as an in-kind contribution, it could obtain quotes for similar models of a similar age and condition to determine the market value for the vehicle.

Partners should discuss their proposed calculation method chosen with their First Level Controller and the JS if they have concerns regarding its validity.

In addition, Partners need to have a system in place to record and evidence the delivery of in-kind contributions.

All supporting evidence (calculation methodology and delivery) should be uploaded on eMS with the relevant Partner Report.

³ Article 69(1) of Regulation (EU) No 1303/2013

⁴ Article 69(1)(c) of Regulation (EU) No 1303/2013

⁵ Article 69(1)(d) of Regulation (EU) No 1303/2013

⁶ Article 69(3)(b) of Regulation (EU) No 1303/2013

⁷ Article 69(1)(b) of Regulation (EU) No 1303/2013