

## Application of overhead costs using the "Flat rate" method in grants and projects

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### Article 1

#### Introductory Provisions

- (1) This directive is valid for all parts of the Czech University of Life Sciences Prague (hereinafter "CZU") with the exception of the University Farm Estate based in Lány and University Forest Establishment based in Kostelec nad Černými lesy.
- (2) This Directive lays down rules and procedures for the application of overheads or indirect costs to grants and projects, which derive the amount of indirect costs on the basis of a percentage surcharge on other financial indicators of the project such as direct costs, personnel costs and so on. At the same time, the so-called simplified reporting of overhead/indirect costs is applied to these grants or projects, i.e. that individual overhead or indirect costs are not documented, but their eligibility and drawdown to providers is proven by fulfilling the indicator from which the amount of indirect/overhead costs is derived (hereinafter "FLAT RATE method".) In the case of international projects and projects within Operational Projects, the rules and procedures for the application of overhead or indirect costs are determined by the Bursar in an internal regulation on the basis of the provider's conditions.
- (3) This Directive is drawn up in accordance with:
  - Act No. 218/2000 Coll., on budgetary rules and on the amendment of some related acts (budgetary rules), as amended;
  - Act No. 563/1991 Coll., on Accounting, as amended;
  - Act No. 111/1998 Coll., on Higher Education Institutions and on Amendments to Other Acts, as amended;
  - Act No. 89/2012 Coll., the Civil Code, as amended;
  - Act No. 586/1992 Coll., on income taxes, as amended;
  - Act No. 235/2004 Coll., on value added tax, as amended;
  - Decree No. 504/2002 Coll., which implements certain provisions of Act No. 563/1991 Coll., on Accounting, as amended, for accounting entities for which the main subject is not business;
  - Czech Accounting Standards for accounting entities that account in accordance with Decree No. 504/2002 Coll.

Article 2  
**Interpretation of Terms**

- (1) **Indirect costs/expenses** - for the purposes of this Directive, indirect costs/expenses mean expenses and costs or a group of costs and expenses that have been defined by the budget, grant or project conditions or general conditions of the support provider and are duly recorded in CZU accounts.
- (2) **FLAT RATE method** - derivation of the amount of indirect costs of a grant or project on the basis of a percentage surcharge to other financial indicators of the project such as direct costs, personnel costs, etc. At the same time, the so-called simplified reporting of overhead/indirect costs is applied to these grants or projects, i.e. individual overheads or indirect costs are not documented, but their eligibility and drawing on providers is proven by fulfilling the indicator from which the amount of indirect/overhead costs is derived.
- (3) **Directly attributable indirect costs/expenditures** - indirect expenditures costs that arose in direct connection with the implementation and fulfilment of the objectives of the grant or project and for which it is possible to clearly exclude the connection with any other activity or other grant or project implemented within CZU. These costs/expenses are indirect only because the aid provider provides so.
- (4) **Shared indirect costs/expenses** - for the purposes of this Directive, shared indirect costs/expenses of CZU means expenses or costs incurred by a part of CZU in connection with the implementation of a given grant or project, but due to their nature it is not possible to clearly and exclusively assign them to a specific grant or project or activity. Typically, these are overhead costs and expenses.
- (5) **University-wide shared indirect costs/expenditures** - These are shared indirect costs incurred by the CZU Rectorate in connection with the implementation of a grant or project in the performance of its current agendas.
- (6) **Contribution to the payment of directly attributable indirect costs/expenses and to the payment of shared indirect costs/expenses (hereinafter Contribution to the payment of overhead costs)** - indirect costs/expenditures of the grant or project, which are intended to cover directly attributable indirect costs/expenditures and shared indirect costs/expenditures of the grant or project (including university-wide shared indirect costs/expenditures of the project) and are recorded in the project in the form of internal accounting
- (7) **The grant or project manager** for the purposes of this Directive is a person in charge of managing the project and is responsible for its material implementation.

Article 3  
**Procedures for the application of indirect costs/expenses for grants and projects using the FLAT RATE method**

- (1) The grant or project manager is obliged to follow the conditions of the support provider and to apply the provisions of this Directive with regard to these conditions and at the same time

to follow the principles of 3E (economy, efficiency, effectiveness). The grant or project manager is responsible for the proper drawing of direct costs and the payment of a contribution to cover the overhead costs of the faculty's collection order.

- (2) The grant or project manager is obliged to keep records of indirect costs for special accounting analytics, in the form of a separate contract or sub-contract. Only the Contribution to the payment of overhead costs is applied to the contract thus established.
- (3) The management of each CZU component (secretary) shall ensure the registration of directly assignable indirect costs/expenditures and shared indirect expenditures in a separate collection order. Within these contracts, directly attributable indirect costs/expenses and shared costs/expenses related to the implementation of such grants or projects are applied which correspond to the given definitions of indirect costs and restrictions of individual providers.
- (4) The CZUS component applies the following within shared costs contracts:
  - a) individual cost items in the form of final accounting documents or their reposting;
  - b) contribution to the payment of university-wide shared indirect costs in the form of the re-billing (of a part) of final accounting documents.
- (5) The management of each CZU component (secretary) claims the contribution when obtaining a CZU financial advance for the implementation of the relevant grant or project, depending on the approved budget for the relevant period. In the event that the provider reduces the part of the subsidy intended for the payment of indirect costs for any reason, the secretary (or an authorized employee) is obliged to refund the corresponding part of the contribution to the relevant project.

#### Article 4

##### **Temporary Provisions**

- (1) The obligation to apply overheads under this Directive arises for grants or projects enabling the determination of indirect costs using the FLAT RATE method with the date of issue of the decision on the allocation of subsidies after the effective date of this Directive.
- (2) For grants or projects with the date of decision before the effective date of this Directive, the decision on the application of this Directive is the responsibility of each project manager.

#### Article 5

##### **Final Provisions**

- (1) This Directive shall enter into force and take effect on the day of its publication.
- (2) This Directive was discussed at the Meeting of Secretaries on 8<sup>th</sup> December 2020.

(3) On the effective date of this Directive, the Bursar's Decision No. 3/2020, Directive 6/2017 and the Chancellor's Measure No. 1/2010 are repealed.

(4) This Directive includes:

Annex No. 1 - Breakdown of contracts within groups of providers and list of eligible costs

In Prague on January 13<sup>th</sup>, 2021

Ing. Jakub Kleindienst  
Bursar

Annex No. 1 Breakdown of contracts within groups of providers and list of eligible costs

Breakdown of contracts by grant/subsidy providers

grant provider	order numbering
GACR TACR NAZV MEYS - outside OP	XX900/1631/XXXX - Shared cost contract