

# Business Secretary sets out new subsidies system that works for the UK

- UK to create a new subsidy control system that empowers local authorities and devolved administrations
- new system will be a clear departure from inflexible and bureaucratic EU state aid regime, and tailored to better support start-ups, small businesses and new industries
- consultation on plans will ensure new approach works for the UK and supports businesses and jobs in every part of the country

A new UK-wide system for providing more flexible and tailored financial support to businesses has been set out under plans by the Business Secretary today (Wednesday 3 February), taking advantage of the UK's newfound freedoms as an independent trading nation.

The new subsidy control system, which will be the long-term replacement for the EU's prescriptive state aid regime, will allow the UK to be more dynamic in providing support to businesses, including in innovative, R&D-focused industries, to encourage job creation and growth across all parts of the UK.

Previously, public authorities had to follow a bureaucratic, detailed set of EU controls – and may have needed prior approval from the European Commission before providing vital funds to viable businesses or pursuing key domestic policy objectives.

Under the proposed UK system, local authorities, public bodies and the devolved administrations in Edinburgh, Cardiff and Belfast will be empowered to decide if they can issue taxpayer subsidies by following a set of UK-wide principles. These principles will ensure subsidies are designed in such a way that they deliver strong benefits and good value for money for the UK taxpayer, while being awarded in a timely and effective way.

The new system will be designed to be more flexible, agile and tailored to support business growth and innovation as well as maintain a competitive market economy and protect the UK internal market. At the same time, it will help protect against wasteful spending.

The system would also better enable the government to deliver on key priorities such as levelling up economic growth in the regions, tackling climate change, as well as supporting our economic recovery as we build back better from the COVID-19 pandemic.

Business Secretary Kwasi Kwarteng said:

This is a significant milestone on our historic journey as an independent, sovereign nation.

Our new, more flexible system will empower public authorities and devolved administrations, and ensure fair competition for businesses across the UK.

Now we have taken back control of our money and laws from the EU, we want to use our newfound freedoms to propel the UK to the forefront of innovation and help create the jobs of the future, while also making the UK the best place to start and grow a business.

With a modern, tailored approach to supporting businesses, we will also be able to press ahead with our long-term ambitions to tackle climate change and to level up opportunity as we build back better from the pandemic.

The system will ensure the UK honours its international obligations under World Trade Organisation (WTO) rules, the [UK-EU Trade and Cooperation Agreement](#) and other free trade agreements, and will not be a return to the 1970s approach of government trying to run the economy or bailing out unsustainable companies.

The consultation will seek views from businesses and public authorities on a number of areas, including:

- whether the UK should apply its own additional principles on subsidy control, as well as those set out in the UK-EU Trade and Co-operation Agreement
- how best to ensure transparency across the system
- the possible roles and responsibilities of the independent body that will oversee the new system
- how this independent body could have some role in supporting enforcement of the principles, alongside normal judicial review standards
- how the system could seek to introduce exemptions consistent with our international obligations, such as ensuring subsidies of low value, those given to support natural disaster relief or in response to global economic emergencies

The government has committed to consulting closely with the devolved administrations in Scotland, Wales and Northern Ireland, so that all 4 parts of the UK can take advantage of the greater flexibility afforded by leaving the EU.

A UK-wide subsidy control regime will ensure that subsidies do not unduly distort competition within the UK's internal market. For example, it will ensure that a Welsh firm is not unfairly undercut or disadvantaged by a subsidy decision in England, and vice-versa. It will also mean that big companies cannot play off the regions, nations, towns, and cities of the UK against each other in a competition to benefit from taxpayer subsidy – protecting the dynamic and competitive market economy across the UK.

The government has always been clear that the regulation on subsidy control

is a reserved matter. The UK Internal Market Act 2020 clarifies that the UK Parliament alone should legislate for the regulation of subsidies. The Act also helps to ensure that there is no confusion or ambiguity in law about the interpretation of the State aid elements in the Northern Ireland Protocol.

As set out in the UK Internal Market (UKIM) Act 2020, the Business Secretary will provide a draft of the proposed response to this consultation to devolved authorities and consider any representations they may have before a final response is published.

The consultation will run for a minimum of 8 weeks. Subject to the outcomes of this consultation, the government will bring forward primary legislation to establish in domestic law a system of subsidy control that works for the entirety of the UK.

The government has previously published guidance for public authorities on the [UK's subsidy control international commitments](#). This covers the relevant commitments in Free Trade Agreements, including the UK-EU Trade and Cooperation Agreement, the World Trade Organisation rules on subsidies and the Northern Ireland Protocol.

The Protocol on Ireland / Northern Ireland, part of the UK-EU Withdrawal Agreement, contains provisions relating to subsidy control. Article 10 of the Protocol provides that the EU State aid rules will continue to apply in the limited circumstances where the subsidies affect trade in goods or wholesale electricity between Northern Ireland and the EU. The EU's declaration in the Joint Committee has clarified that subsidies granted in Great Britain are only in scope of Article 10 where there is a genuine, direct link between the subsidy and companies in Northern Ireland.