

New subsidy control system will support UK jobs, boost the economy and strengthen the union

- New system will drive economic growth and prosperity and help level-up across the UK
- Rules mean every subsidy must deliver strong benefits for local communities and ensure good value for money for the British taxpayer
- Provides a more agile and flexible system, better suited to the UK's own needs than the EU's bureaucratic EU State aid regime

A new system to regulate subsidies to business receives Royal Assent today (28 April) to boost the economy and put the UK on the front foot in emerging industries, helping growth and jobs.

Under the new rules, the Devolved Administrations and local authorities will, for the first time, decide whether to issue subsidies by following UK-wide principles, delivering good value for the British taxpayer while being awarded in a timely and effective way.

Previously, the devolved administrations were subject to the EU's prescriptive State aid regime which governed the powers of elected governments in Edinburgh, Cardiff and Belfast to support viable businesses. Under the EU system, all subsidies except those under a 'Block Exemption Regulation' had to undergo a lengthy bureaucratic process of being notified to and approved by the European Commission in advance, delaying vital funds from reaching viable businesses in good time.

These UK-wide principles will allow public authorities to deliver subsidies where they are needed without facing excessive red tape, creating a level playing field for subsidies across the entire country.

Small Business Minister Paul Scully said:

The new subsidy control regime is robust yet agile, allowing public authorities to provide subsidies where they are needed most.

Under the EU's State aid regime, the UK was bound by excessive bureaucracy and lengthy pre-approval processes, however now we have the flexibility to better support businesses to grow and thrive, in a way that suits the interests of UK industries and supports the levelling-up agenda.

It is expected to come into force in Autumn 2022.

The new system will prohibit subsidy races in which public authorities try to outbid each other's subsidies to attract investment and will also give public

authorities the flexibility to design subsidies according to local needs, including to give subsidies that target localised and regional inequalities.

The new rules will help foster a vibrant free market economy in the UK by banning unlimited government guarantees to businesses as well as subsidies granted to “ailing or insolvent” enterprises where there is no credible restructuring plan.

The UK’s new system will also contribute to meeting the UK’s international commitments on subsidy control, including its international commitments at the World Trade Organization and in Free Trade Agreements.

Further information

- A subsidy is a financial contribution using public resources which confers a benefit on a specific recipient. This could include, for example, a cash payment, a loan with interest below the market rate, or a guarantee. Subsidies can be given by all levels of government in the UK.
- Enforcement will be through the UK’s courts and tribunal system. Jurisdiction to judicially review the award of subsidies will be given to the Competition Appeal Tribunal.
- Since 1 January 2021, the UK has followed the commitments on subsidy control set out in its free trade agreements with other countries, notably the provisions of the UK-EU Trade and Cooperation Agreement, and the World Trade Organisation (WTO) rules on subsidies, as well as the relevant provisions within the Northern Ireland Protocol. How to implement our international commitments in UK law is a domestic decision and the new subsidy control regime announced today builds on, and is aligned with, these commitments.
- The new Subsidy Advice Unit will be set up within the Competition and Markets Authority.
- To further streamline the new regime, the government is exempting a limited set of subsidies from the subsidy control principles, such those required for safeguarding national security and subsidies granted temporarily to address emergencies such as flooding. As is the case now, all subsidies will still be subject to WTO rules.
- On 25 March, the government launched a public consultation on the initial Subsidies of Interest/Particular Interest (SSoPI) regulations. The consultation closes on 6 May.
- Ahead of the new regime coming into force, the government will be publishing guidance to support public authorities getting ready for the new rules.
- Until the new regime comes into force in Autumn 2022, public authorities are required to follow the commitments on subsidy control set out in its Free Trade Agreements with other countries, notably the provisions of the UK-EU Trade and Cooperation Agreement, and the WTO rules on subsidies, as well as the relevant provisions within the Northern Ireland Protocol.
- Article 10 of the Northern Ireland Protocol provides that EU State aid rules would continue to apply to the UK in respect of measures which affect trade in goods and wholesale electricity between Northern Ireland

and the EU. In practical terms, this would primarily apply to aid granted to manufacturers of goods and wholesale electricity located in Northern Ireland. Subsidies for services in Northern Ireland will be within scope of the new regime.

- However, as first set out in the Command Paper of July 2021, the Government considers the existing provisions in Article 10 redundant in their current form. The current situation prevents subsidies from being granted on an equal basis across the UK, so there are issues that need to be addressed. We need to see increased engagement from the EU on the Protocol, so that we can work towards solutions.