

New subsidy system to support UK jobs and businesses, boost the economy and strengthen the union

- New UK-wide subsidy control system announced today to provide quicker and more flexible support to UK businesses following our departure from the EU
- decisions previously subject to approval by unelected EU bureaucrats to be decided in the UK
- devolved administrations and local authorities empowered for the first time to decide if they can issue subsidies by following UK-wide principles

Businesses across the UK will be able to benefit from financial support thanks to a new subsidy control system following our departure from the EU.

The Subsidy Control Bill introduced to Parliament today seizes the opportunities from having left the EU's bureaucratic State aid regime to create a new system for subsidies that can enable key domestic priorities, such as levelling up economic growth across the UK and driving our green industrial revolution.

Previously, when the UK was a member of the EU, the UK followed the EU's State aid regime which governed the awarding of subsidies – such as grants, loans and guarantees. 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.

The new UK system will start from the basis that subsidies are permitted if they follow UK-wide principles – delivering good value for the British taxpayer while being awarded in a timely and effective way. These UK-wide principles will allow public authorities to deliver subsidies where they are needed without facing excessive red tape.

The system will not be a return to the failed 1970s approach of government trying to run the economy, 'picking winners' or bailing out unsustainable companies.

The devolved governments will be empowered for the first time to decide if they can issue subsidies by following a set of UK-wide principles. 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.

The new system will prohibit the awarding of subsidies that will result in the relocation of jobs and economic activity from one part of the UK to another – known as 'displacement'. This will help strengthen the Union and

help level up the entire country by preventing 'subsidy races' between public authorities competing to attract the same business.

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 free market economy that has been central to our national prosperity for decades.

UK Business Secretary Kwasi Kwarteng said:

Today we're seizing the opportunities of being an independent trading nation to back new and emerging British industries, create more jobs and make the UK the best possible place to start and grow a business.

We want to use our newfound freedoms as an independent, sovereign country to empower public authorities across the UK to deliver financial support – without facing burdensome red tape.

While the UK's new system will be more agile and flexible, I have been clear that we will not return to the failed 1970s approach of the government trying to run the economy, picking winners or bailing out unsustainable companies. Every subsidy must deliver strong benefits for local communities and ensure good value for money for the British taxpayer.

Today's Bill marks a clear departure from the EU State aid regime and will ensure our new subsidy system will maintain the UK's competitive, free market economy that has been central to our economic success and national prosperity for decades.

The British taxpayer and the UK's competitive, free market economy will be further protected by banning unlimited government guarantees to businesses as well as subsidies granted to "ailing or insolvent" enterprises where there is no credible restructuring plan, although we are no longer bound by restrictive EU definitions which unfairly penalised start-ups and small businesses.

Under the new regime, 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 (CAT).

UK Business Minister Paul Scully said:

The UK's new bespoke subsidy system will be simple, nimble, and based on common-sense principles – free from excessive red tape.

Our modern regime will support the UK government, devolved

administrations in Edinburgh, Cardiff and Belfast, and local authorities in swiftly and strategically supporting our economic recovery while ensuring a consistent, level playing field for subsidies across the entire country.

In order to protect UK competition and investment and to minimise distortions from specific subsidies, the new system will introduce two specific categories of subsidies – Subsidies of Interest and Subsidies of Particular Interest – for which granting authorities may undertake more extensive analysis to assess their compliance with the principles.

The new regime will contribute to meeting the UK's international commitments on subsidy control, including following the World Trade Organisation (WTO) rules in this area, and those in free trade agreements (FTAs) – upholding our place on the international stage.

The Subsidy Control Bill sets out key elements of the new domestic subsidy control regime in primary legislation. Further details on implementation and guidance will be set out in due course. The regime will come into effect in 2022 subject to Parliamentary approval.

The UK government has always been clear that the regulation of subsidy control is a reserved matter. The UK Internal Market Act (UKIM) 2020 clarifies that the UK Parliament alone should legislate for the regulation of subsidies. The UKIM 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.

Today's announcement follows a consultation earlier this year in which the UK government sought views from businesses, public authorities, including the devolved governments, and others on the future shape of the new subsidy control system. The response to this consultation has been published today.

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 are administered by all levels of government in the UK.

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 (TCA), and the 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 system 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 system, the government is exempting a limited set of subsidies from the 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.

To ensure this new system works for all parts of the UK, the UK government has worked closely with the devolved administrations throughout this process, including sharing the consultation response document ahead of publication and considering devolved administrations' representations.