

**Research, Development and Innovation Streamlined Subsidy
Scheme**

**Presented to Parliament by the Secretary of State for Business,
Energy and Industrial Strategy pursuant to section 10 (5) of the
Subsidy Control Act 2022**

This is a Streamlined Subsidy Scheme (also known as a Streamlined Route) made by the Secretary of State under section 10 (4) of the Subsidy Control Act (2022). It may be used by any UK public authority to give certain subsidies, which meet the criteria of the Streamlined Route, without assessing them against the subsidy control principles.

Public authorities wishing to use this Streamlined Route are strongly advised to consider the accompanying Research, Development and Innovation Streamlined Route Guidance, which has been created to help public authorities interpret and comply with the Streamlined Route. This guidance can be found on the Streamlined Routes .Gov.uk webpage.

Public authorities who require support and guidance on using this Streamlined Route can contact the BEIS subsidy control team at: subsidycontrol@beis.gov.uk

Research, Development and Innovation Streamlined Subsidy Scheme

1. Introduction and compliance with the subsidy control principles

- 1.1. The Secretary of State, having considered the subsidy control principles in accordance with Chapter 1 of Part 2 of the Subsidy Control Act 2022 (“the Act”) and being of the view that the subsidies given under the scheme will be consistent with those principles, makes the following subsidy scheme (“the Scheme”) as a streamlined subsidy scheme for the purposes of the Act, in accordance with section 10(4) of the Act.
- 1.2. The Scheme is made on 5 January 2023.
- 1.3. The Scheme may be used by any public authority in the United Kingdom to give subsidies on or after 5 January 2023 until 4 January 2029.
- 1.4. The Scheme is to be laid in Parliament in accordance with section 10(5) of the Act and published on the subsidy database in accordance

with section 33(1)(b) of the Act.

- 1.5. The Scheme may be referred to as the Research, Development and Innovation Streamlined Subsidy Scheme.

2. Purpose

- 2.1. The Scheme provides for the giving of subsidies by public authorities that fall within the following categories set out in the Schedule:
 - 2.1.1. category 1: subsidies for feasibility studies,
 - 2.1.2. category 2: subsidies for industrial research and experimental development projects, and
 - 2.1.3. category 3: small and medium sized enterprise research, development and innovation support.
- 2.2. Subsidies given under the Scheme must comply with paragraphs 4-9 and the relevant requirements in the Schedule of this Scheme.

3. General definitions

- 3.1. In the Scheme:
 - 3.1.1. “the Act” means the Subsidy Control Act 2022;
 - 3.1.2. “enterprise” has the meaning given by section 7 of the Act;
 - 3.1.3. “eligible costs” means those costs defined in paragraphs 2, 5, 10, 12 and 14 of the Schedule;
 - 3.1.4. “exploit” means realising and making use of economic or social benefits from research, development and innovation activities, and includes commercialisation;
 - 3.1.5. “innovation” means a new or improved product or process (or combination thereof) that differs from the previous products or processes and that has not been made available to potential users (product) or brought into use (process);
 - 3.1.6. “large enterprise” means an enterprise that is larger than a medium sized enterprise assessed by reference to the qualifying conditions in section 465 of the Companies Act 2006;

- 3.1.7. “medium enterprise” means an enterprise that is considered to be medium-sized, assessed by reference to the qualifying conditions set out in section 465 of the Companies Act 2006;
- 3.1.8. “public authority” has the meaning given by section 6 of the Act;
- 3.1.9. “project” means an activity or activities conducted to a method or plan, with a view to achieving a specified end goal;
- 3.1.10. “project start” means when the activities directly related to the project being subsidised under the Scheme begin;
- 3.1.11. “research and development” means activities which must be novel, creative, uncertain in outcomes, systematic and transferable and/or reproducible. All five criteria are to be met every time a research and development activity is undertaken whether on a continuous or occasional basis;
- 3.1.12. “research, development and innovation” means Research and Development, and Innovation (as defined in paragraph 3.1.5 and 3.1.11);
- 3.1.13. “research and knowledge-dissemination organisation” means an entity such as universities or research institutes, technology transfer agencies, innovation intermediaries, research-oriented physical or virtual collaborative entities, the primary goal of which is to conduct fundamental research, industrial research or experimental development independently or to disseminate widely the results of such activities by way of teaching, publication or knowledge transfer;
- 3.1.14. “small enterprise” means an enterprise that is considered to be small, assessed by reference to the qualifying conditions set out in section 382 of the Companies Act 2006;
- 3.1.15. “small or medium-sized enterprise” or “SME” means a small enterprise or a medium enterprise (as defined in paragraph 3.1.7 and 3.1.14);
- 3.1.16. “subsidy database” means the database of subsidies established under section 32 of the Act.

4. General conditions

- 4.1. Before giving a subsidy to an enterprise under the Scheme, a public authority must obtain the following information from the enterprise:
 - 4.1.1. name and size of the enterprise,
 - 4.1.2. description of the proposed project or activity including;
 - 4.1.2.1. its location,
 - 4.1.2.2. start and end date,
 - 4.1.2.3. expected outcomes, and
 - 4.1.2.4. anticipated costs of the project or activity before any deduction of tax or other charges, supported by relevant and contemporary documentation.
- 4.2. A public authority may not give a subsidy for a project or activity that has started, unless:
 - 4.2.1. it is of the view the project or activity would not be viable unless it starts before the subsidy is given, and
 - 4.2.2. it has provided written authorisation to the enterprise that the project or activity can be started before the subsidy is given, or
 - 4.2.3. it is of the view the scope of the project or activity is being widened or the project or activity is being accelerated.
- 4.3. A public authority must give subsidies using objective and transparent selection criteria that are available to potential recipients in advance of giving the subsidy.
- 4.4. All eligible costs must be incurred directly as a result of the project or activity.
- 4.5. All eligible costs should be limited to those strictly necessary for the project or activity, and in respect of projects, limited to the time period of the project.
- 4.6. A public authority may not give a subsidy under the Scheme that would, but for section 30(1) of the Act, be subject to any of the prohibitions and other requirements contained in sections 15 – 29 of the Act.

5. Eligible enterprise

- 5.1. Subsidies may be given to any enterprise, including a research and knowledge-dissemination organisation, which carries out an activity listed under Categories 1, 2 & 3 of the Scheme in the UK and intends to exploit the results of the activity in or from the UK.

6. Subsidy type and valuation of the subsidy

- 6.1. Subsidies under the Scheme may be given in any form of financial assistance.
- 6.2. For the purposes of any paragraph in the Scheme that contains a financial amount the following will apply:
 - 6.2.1. if a subsidy is provided in cash, the gross cash amount given is to be used in determining the amount of the subsidy;
 - 6.2.2. if a subsidy is provided otherwise than in cash, the amount of the subsidy given is to be determined by reference to the gross cash equivalent of the subsidy;
 - 6.2.3. the gross cash amount and gross cash equivalent amount are to be determined in accordance with the Subsidy Control (Gross Cash Amount or Gross Cash Equivalent) Regulations 2022.¹

7. Transparency

- 7.1. A public authority must meet the transparency requirements set out in Chapter 3 of Part 2 of the Act and upload any subsidy given under the Scheme to the subsidy database where required by the Act.

¹ <https://www.legislation.gov.uk/uksi/2022/1186/made>

8. Cumulation

- 8.1. When applying the subsidy ratios and maximum award amounts set out in the specific categories under the Schedule, a public authority must take into account the cumulative amount of subsidies received by the enterprise for each particular project or activity, whether given under the Scheme or otherwise. A subsidy given under the Scheme which falls below the subsidy ratios or maximum award amounts must not cause the subsidy ratios or maximum award amounts to be exceeded on a cumulative basis.
- 8.2. An existing subsidy must be cumulated with the proposed subsidy if the subsidy meets all of the following conditions and was given:
 - 8.2.1. to the same enterprise by any public authority,
 - 8.2.2. for the same project or activity as defined under the relevant categories of the Schedule,
 - 8.2.3. for the same or substantially the same specific purposes as set out under the relevant categories of the Schedule, and
 - 8.2.4. within the last 3 financial years (that is, the last 2 complete financial years, running from 1 April to 31 March, and the lapsed part of the current financial year).
- 8.3. Where a project or an activity's completion date extends beyond the period of 3 years, the maximum award amounts and subsidy ratios set out in the specific categories under the Schedule apply to the lifespan of the project; a new cumulation period does not start after 3 years.
- 8.4. The subsidy ratios or maximum award amounts may not be circumvented by artificially splitting up a single project into several constituent projects with similar characteristics or objectives.

9. Misuse of subsidy

- 9.1. A public authority should ensure that any subsidy given under the Scheme is given subject to a condition allowing the authority to recover

the whole or part of the subsidy amount to the extent that the subsidy is used for a purpose other than the purpose for which it was given.

Schedule

Category 1: Feasibility Studies

1. Scope

- 1.1. A subsidy may be given under this category for a feasibility study related to research, development and innovation.
- 1.2. “Feasibility study” means the evaluation and analysis of the potential of a project, which aims at supporting the process of decision-making by objectively and rationally uncovering its strengths and weaknesses, opportunities and threats, as well as identifying the resources required to carry it through and ultimately its prospects for success.

2. Eligible costs

- 2.1. The eligible costs for feasibility studies shall be the costs of the study.

3. Subsidy ratios and maximum award amounts

- 3.1. Subsidies may be given to any size enterprise under this category up to the following amounts, whichever is lower:
 - 3.1.1. £3,000,000 per enterprise per project, or
 - 3.1.2. 50% of the costs of the study.
- 3.2. The following uplifts to the % of eligible costs may be provided:
 - 3.2.1. 10% for a medium enterprise.
 - 3.2.2. 20% for a small enterprise.

Category 2: Industrial Research and Experimental Development Projects

4. Scope

- 4.1. A subsidy may be given under this category where all of the following conditions are met:
 - 4.1.1. the project meets the research, development and innovation definitions, and

- 4.1.2. the project aims to support industrial research and experimental development projects.
- 4.1.3. “industrial research” means the planned research or critical investigation aimed at the acquisition of new knowledge and skills for developing new products, processes or services or for bringing about a significant improvement in existing products, processes or services.
- 4.1.4. “experimental development” means acquiring, combining, shaping and using existing scientific, technological, business and other relevant knowledge and skills with the aim of developing new or improved products, processes or services.

5. Eligible costs

5.1. The eligible costs for all projects shall be—

- 5.1.1. personnel costs: the costs of researchers, technicians and other supporting staff to the extent employed on the project,
- 5.1.2. costs of instruments and equipment, to the extent employed on the project,
- 5.1.3. costs of buildings and land, to the extent and for the duration period used for the project.
- 5.1.4. costs of conducting research and of external consultancy and contractual research or other knowledge assets, including patents bought or licensed from outside sources, and
- 5.1.5. any other project operating costs and project overheads; including costs of materials, supplies and similar products, incurred directly as a result of the project.

6. Limitations on eligible costs and conditions

- 6.1. Where equipment and instruments are not used for their full life for the project and have a useful life or residual value beyond the period of the project then the residual value should be deducted when calculating the eligible costs.

- 6.2. In the case of small and medium enterprises (SMEs) the remaining value of new equipment and instruments purchased for the project may be a fully eligible cost providing they are used for the rest of their useful life after the project for research, development and innovation activities and to improve research, development and innovation capability.
- 6.3. With regard to buildings, only the depreciation costs corresponding to the life of the project, as calculated on the basis of generally accepted accounting principles are considered as eligible. For land, costs of commercial transfer or actually incurred capital costs are eligible.

7. Subsidy ratios and maximum award amounts

- 7.1. A subsidy given under this category:
 - 7.1.1. must not exceed the specified maximum award amount and maximum subsidy ratios, and
 - 7.1.2. must be capped at either the maximum award amount or the maximum subsidy ratio, whichever is lower.
- 7.2. A subsidy under this category may be given for either an industrial development or experimental research project, or both.
- 7.3. The maximum award amount for both industrial research and experimental development projects is £3,000,000 per enterprise per project.
- 7.4. The maximum subsidy ratios for industrial research and experimental development projects are:

	Industrial Research	Experimental Development
Small Enterprises	70% of the eligible costs of the project	45% of the eligible costs of the project
Medium Enterprises	60 % of the eligible costs of the project	35% of the eligible costs of the project
Large Enterprises	50% of the eligible costs of the project	25% of the eligible costs of the project

7.5. Enterprises may receive a 15% uplift to the subsidy ratios where the project involves effective collaboration:

7.5.1. between enterprises, where at least one of the enterprises is a SME, or

7.5.2. between an enterprise and one or more research and knowledge dissemination organisation, which must have the right to publish its own research results.

7.6. “Effective collaboration” means collaboration between at least two independent parties to exchange knowledge or technology, or to achieve a common objective based on a division of labour where the parties jointly define the scope of the collaborative project, contribute to its implementation and share its risks (but see further as to financial risks), as well as its results. One or several parties may bear the full costs of the project and thus relieve other parties of its financial risks. Contract research and the provision of research services are not considered forms of collaboration.

Category 3: Small and Medium Sized Enterprise (SME) Research, Development and Innovation Support

8. Scope

- 8.1. A subsidy may be given under any of the SME Research, Development and Innovation Support Category's 3 sub-categories, where all of the following conditions are met:
 - 8.1.1. the enterprise in receipt of the subsidy is a small or medium-sized enterprise, and
 - 8.1.2. the subsidy will result in the recipient's ability to innovate and grow increasing, and
 - 8.1.3. all the sub-category specific conditions are met.
- 8.2. Subsidies given under separate sub-categories to the same enterprise may be treated separately for the purposes of calculating subsidy ratios and maximum award amounts when they are for separate projects or activities.
- 8.3. Subsidies given under this category will not cumulate with subsidies for Feasibility Studies and Industrial Research and Experimental Development Projects.

SME Support Category A: Innovation Services

9. Scope

- 9.1. A subsidy may be given under this sub-category provided it is for services related to innovation.
- 9.2. "Innovation advisory services" means consultancy, assistance, or training in the fields of knowledge transfer, acquisition, protection or exploitation of intangible assets or the use of standards and regulations embedding them, as well as consultancy, assistance or training on the introduction or use of innovative technologies and solutions (including digital technologies and solutions).
- 9.3. "Innovation support services" means the provision of office space, data banks, cloud and data storage services, libraries, market research, laboratories, quality labelling, testing, experimentation, and certification

or other related services, including those services provided by research and knowledge dissemination organisations, research infrastructures, testing and experimentation infrastructures or innovation clusters, for the purpose of developing more effective or technologically advanced products, processes or services, including the implementation of innovative technologies and solutions (including digital technologies and solutions).

10. Eligible costs

10.1. The eligible costs shall be:

10.1.1. costs for obtaining, validating and defending patents and other intangible assets,

10.1.2. costs for secondment of highly qualified personnel from a research and knowledge-dissemination organisation or a large enterprise, working on research, development and innovation activities in a newly created function within the enterprise and not replacing other personnel, and

10.1.3. costs for innovation advisory and innovation support services.

SME Support Category B: Process and Organisational Innovation

11. Scope

11.1. A subsidy may be given under this sub-category provided it is for a process or organisational innovation project.

11.2. “Organisational innovation” means the implementation of a new organisational method, workplace organisation or external relations, including for instance by making use of novel or innovative digital technologies. Excluded from this definition are changes that are based on organisational methods already in use, changes in management strategy, mergers and acquisitions, ceasing to use a process, simple capital replacement or extension, changes resulting purely from changes in factor prices, customisation, localisation, regular, seasonal and other cyclical changes and trading of new or significantly improved products.

11.3. "Process innovation" means the implementation of a new or significantly improved production or delivery method (including significant changes in techniques, equipment or software), including for instance by making use of novel or innovative digital technologies or solutions. Excluded from this definition are minor changes or improvements, increases in production or service capabilities through the addition of manufacturing or logistical systems which are very similar to those already in use, ceasing to use a process, simple capital replacement or extension, changes resulting purely from changes in factor prices, customisation, localisation, regular, seasonal and other cyclical changes and trading of new or significantly improved products.

12. Eligible costs

12.1. The eligible costs shall be:

12.1.1. personnel costs: the costs of researchers, technicians and other supporting staff to the extent employed on the project,

12.1.2. costs of instruments, equipment, buildings and land to the extent and for the period used for the project,

12.1.3. costs of conducting research and of external consultancy and contractual research or other knowledge assets including patents bought or licensed from outside sources, and

12.1.4. any other project operating costs and project overheads; including costs of materials, supplies and similar products, incurred directly as a result of the project.

SME Support Category C: Equipment and Instruments

13. Scope

13.1. A subsidy may be given under this sub-category providing it is for equipment and instruments to be used for research, development and innovation activities and ancillary costs related to those equipment and instruments.

13.2. Any equipment or instruments must be used primarily for research, development, and innovation activities. They may not be used for commercial purposes.

14. Eligible costs

14.1. The eligible costs shall be:

14.1.1. the costs of equipment and instruments, and

14.1.2. ancillary costs related to equipment and instruments; such as installation costs, servicing costs, or advisory costs related to the equipment and instruments.

15. Limitations on eligible costs

15.1. A subsidy may not fund existing equipment and instruments. Equipment and instruments must be new to the enterprise.

16. Subsidy ratios and maximum award amounts

16.1. Subsidies may be given to any SME under any of the 3 sub-categories up to the following amounts, whichever is lower:

16.1.1. £500,000; or

16.1.2. 50% of the eligible costs.



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