

The subsidy control regime - a flexible, principles-based approach for the UK

Overview

This Government is determined to seize the opportunities arising from Brexit. Now that we have left the European Union, we are no longer bound by bureaucratic and burdensome EU State aid rules, except in limited circumstances under the terms of Article 10 of the Northern Ireland Protocol, we have the freedom for the first time to develop a new, bespoke regime for subsidy control within the UK that delivers on our national priorities.

The Government has designed a subsidy control regime that strikes the right balance between enabling the benefits that can be derived from subsidies, while limiting the most harmful impacts. We have learnt from the different approaches taken internationally to move away from the EU's expansive regime to one that is less onerous and more flexible whilst still retaining protections for UK competition and investment.

In meeting our objectives the new regime will:

- Empower local authorities, public bodies, and central and devolved administrations to design subsidies that deliver strong benefits for the UK taxpayer.
- Enable public authorities to deliver subsidies that are tailored and bespoke for local needs to support the UK's economic recovery and deliver UK Government priorities such as levelling up, achieving net zero and increasing UK R&D investment.
- Provide certainty and confidence to businesses investing in the UK, by protecting against subsidies that risk causing distortive or harmful economic impacts to UK competition and investment and international trade.
- 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.

The new subsidy control regime will achieve its objectives through six building blocks:

A clear, proportionate and transparent set of principles and rules that make clear which subsidies are permitted and prohibited, and under what circumstances.

1 Seven main principles; limited additional principles for energy and environmental subsidies

2 Exemptions

3 Prohibitions and conditions

Providing tools that enable public authorities to make a proportionate assessment of their proposed subsidy.

4 Proportionate assessments of compliance

The vast majority of subsidies can be granted as long as they can demonstrate compliance via one of these two self-assessment routes

Baseline

Streamlined Routes

Subsidies of Interest

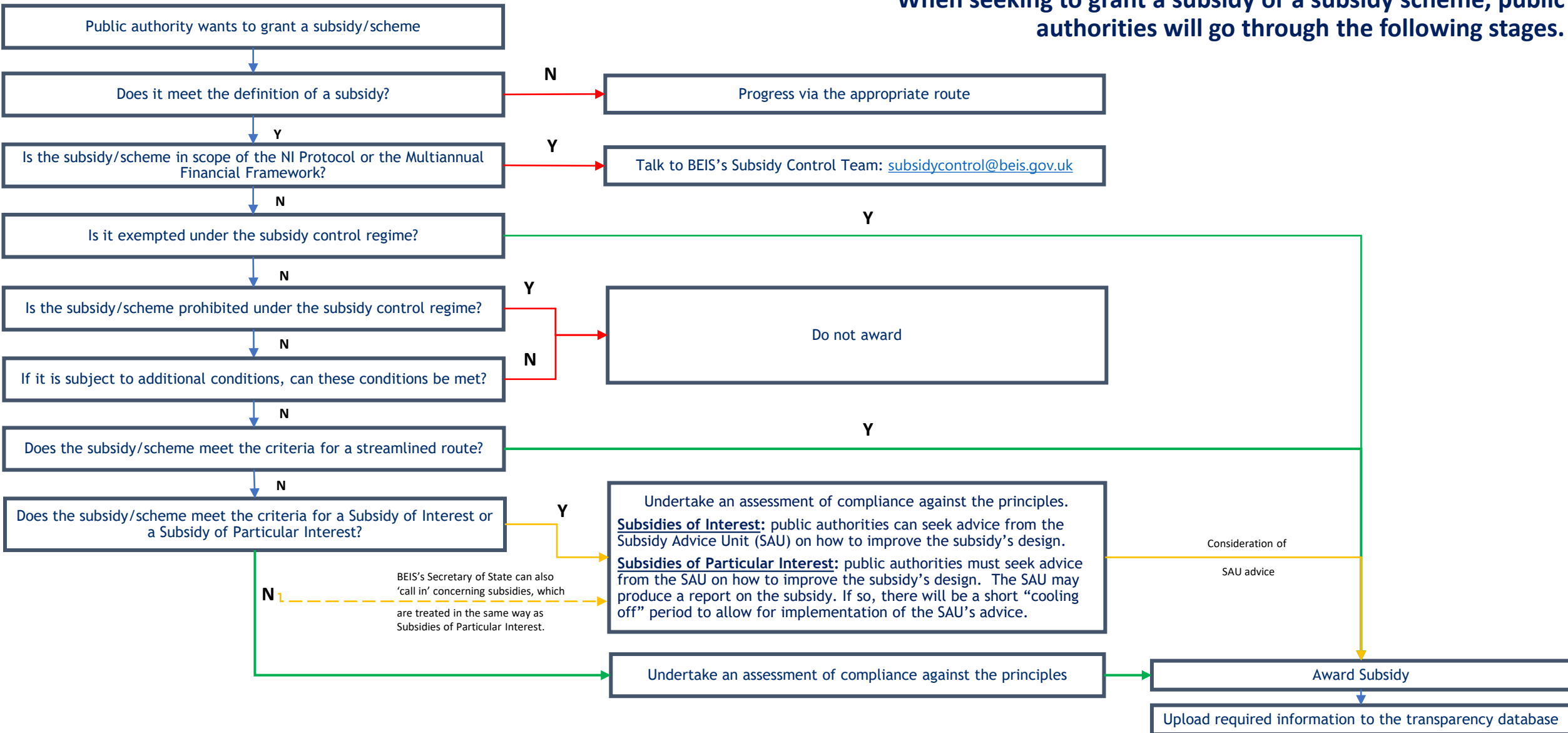
Subsidies of Particular Interest

Reporting and enforcement mechanisms that incentivise compliance with the rules and hold public authorities to account when they do not comply.

5 A transparency database

6 Reporting by the Subsidy Advice Unit and enforcement through the Competition Appeal Tribunal.

When seeking to grant a subsidy or a subsidy scheme, public authorities will go through the following stages.

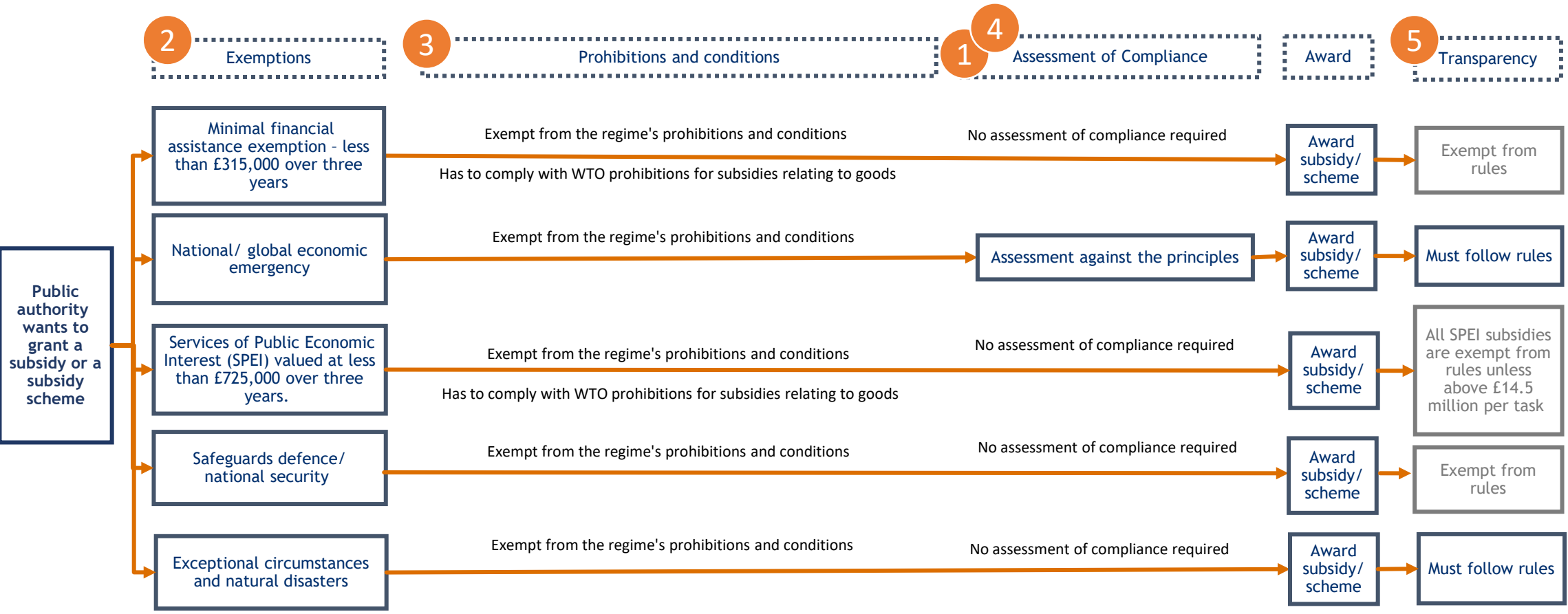


Annex A: Flow charts outlining the process for the granting of subsidies

This annex provides more detailed flow charts to outline the step-by-step process for:

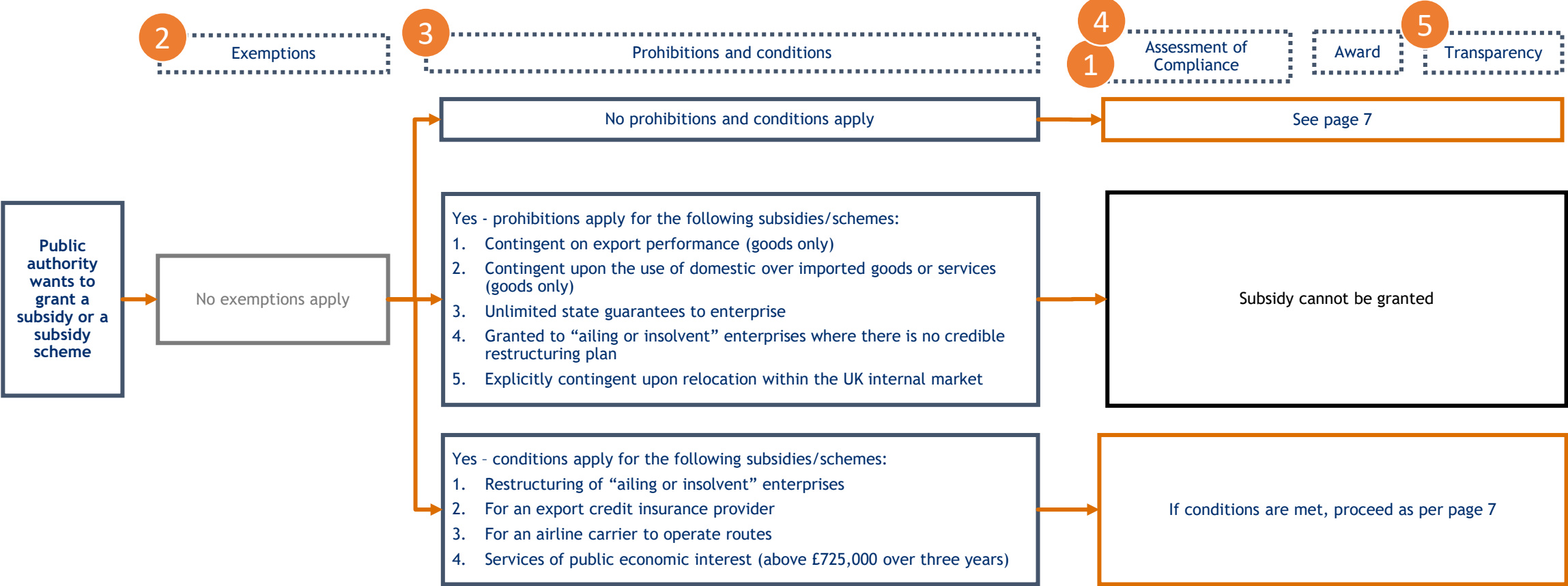
- **exempted subsidies (page 5)**
- **subsidies that are prohibited or subject to further conditions (page 6), and**
- **subsidies subject to the new regime (page 7)**

A number of subsidies will be either fully or partially exempt from the scheme. They will move through the following pathways.



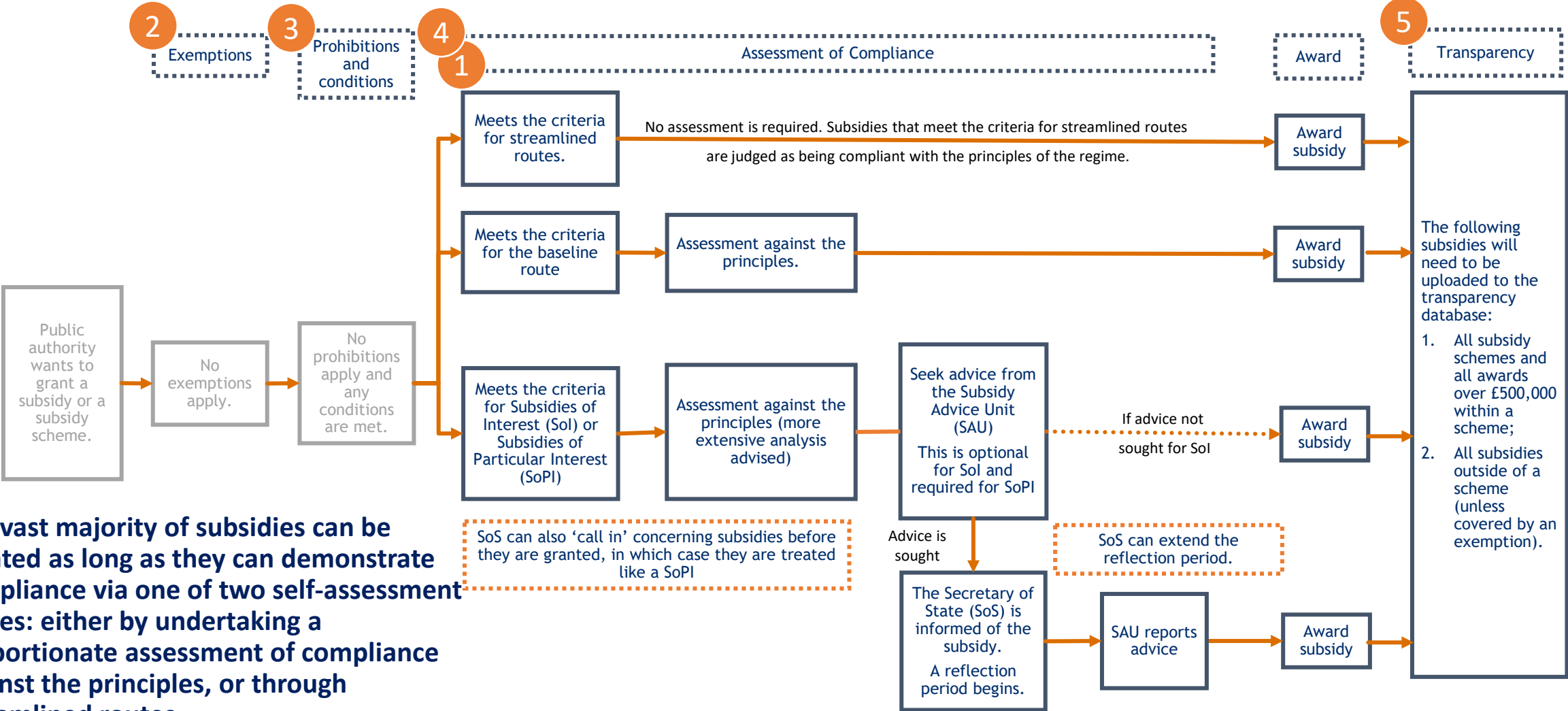
If an exemption does not apply, granting authorities should then consider whether the subsidy is prohibited under the scheme or subject to any additional conditions (see page 7).

Under the new regime, subsidies are subject to a number of prohibitions and conditions. If prohibitions apply, the subsidy cannot proceed.



If no prohibitions and conditions apply, or if any relevant conditions are met, a proportionate assessment of compliance must be undertaken. The process this follows depends on the category of the subsidy (see page 7). If prohibitions apply, the subsidy cannot proceed.

If the subsidy is not subject to an exemption or any prohibitions, or if the relevant conditions are met, a proportionate assessment of compliance must be undertaken. The process this follows depends on the category of the subsidy.



The vast majority of subsidies can be granted as long as they can demonstrate compliance via one of two self-assessment routes: either by undertaking a proportionate assessment of compliance against the principles, or through streamlined routes.