

## **State Aid/Subsidy Allowances**

Whilst the UK left the EU on 1 January 2021, the government had advised local authorities to continue working to EU State Aid limits until a subsidy regime had been confirmed.

**The latest grant guidance for England confirms that new subsidy allowances have now been established for the COVID-19 business grants schemes based on the principles of the Trade and Cooperation Agreement (TCA) with the EU.**

There are 3 subsidy allowance levels:

- **Small Amounts of Financial Assistance Allowance**
  - Special Drawing Rights can be paid to a single economic actor over any period of three fiscal years up to £335,000 (based on exchange rate @ 2 March 2021)
- **COVID-19 Business Grant Allowance**
  - Where the 'Small Amounts of Financial Assistance Allowance' limit has been reached, grants can be paid out under Article 3.2(3) of the TCA under the COVID-19 Business Grant Allowance
  - This allowance is £1.6m per single economic actor and includes previous 'Covid' grants awarded under Temporary Framework
  - May be combined with the 'Small Amounts of Financial Assistance Allowance' to equal £1,935,000 (subject to the exact amount applicable under the 'Small Amounts of Financial Assistance Allowance' exchange rate)
- **COVID-19 Business Grant Special Allowance**
  - Where an applicant has reached its limit under 'Small Amounts of Financial Assistance Allowance' and 'COVID-19 Business Grant Allowance', it may be able to access a further allowance of up to £9,000,000 per single economic actor providing following conditions met
    - The Special Allowance covers only the applicant's uncovered fixed costs incurred during the period between 1 March 2020 and 31 March 2022
    - Applicants must demonstrate decline in turnover during eligible period of at least 30% compared to the same period in 2019
    - Uncovered fixed costs means fixed costs not otherwise covered by profit, insurance or other subsidies
    - Grant payment must not exceed 70% of the applicant's uncovered fixed costs (exceptions for micro and small enterprises)
    - Grant payments under this allowance must not exceed £9m per single economic actor. NB This allowance includes any grants previously received under the Temporary Framework
    - Grants provided under this allowance shall not be cumulated with other subsidies for the same costs
  - Applicant must be able to provide necessary documentation to demonstrate
- The guidance confirms that grants provided in excess of the 'Small Amounts of Financial Assistance Allowance' may not be granted to applicants that were defined as an 'undertaking in difficulty' on 31 December 2019

**For the avoidance of doubt, the guidance confirms that grants under the 3 allowances may be combined for a potential total allowance of £10,935,000.**

New rules apply from 4 March 2021 and local authorities do not have to revisit old applications but applicants can re-apply for current payment cycles.

Local authorities are required to upload certain information to a 'transparency database'.