



Update to COVID-19 business grant subsidy allowance from 4 March 2021

The EU State aid rules no longer apply to subsidies granted in the UK following the end of the transition period, which ended on 31 December 2020. This does not impact the limited circumstances in which State aid rules still apply under the Withdrawal Agreement, specifically Article 10 of the Northern Ireland Protocol. The United Kingdom remains bound by its international commitments, including subsidy obligations set out in the Trade and Cooperation Agreement (TCA) with the EU.

On Thursday 4 March new subsidy allowances were established for the COVID-19 business grants schemes, on the basis of the principles set out in Article 3.4 of the TCA.

The updated scheme rules set out in this guidance document do not apply retrospectively. Therefore, where a Local Authority has previously rejected an applicant's application before Thursday 4 March on the grounds that the applicant had reached previous scheme limits, the Local Authority must not revisit this decision. The applicant may however submit a new application if still within a current payment cycle.

If an applicant, that has previously reached the subsidy allowance limit, applies for past payment cycles, Local Authorities should not accept applications or make retrospective payments to those businesses where the payment cycle has passed. For example, Local Authorities should not accept applications for the LRSG (Closed) Addendum scheme, where the eligibility period was 5 November 2020 to 2 December 2020, as the payment cycle has passed for businesses that had reached the subsidy allowance limit during that period.

Updated COVID-19 business grants subsidy allowances provided on the basis of the TCA

The following scheme rules are to be applied to COVID-19 business grants on the basis of the EU-UK Trade and Co-operation Agreement (TCA).

The below scheme rules should be applied to applicants at the level of economic actor, which is defined as an entity or a group of entities constituting a single economic entity regardless of its legal status, that is engaged in an economic activity by offering goods or services on a market.

There are three subsidy allowances for this scheme set out below: Small Amounts of Financial Assistance Allowance, the COVID-19 Business Grant Allowance and the COVID-19 Business Grant Special Allowance.

Small Amounts of Financial Assistance Allowance

Grants may be paid in accordance with Article 3.2(4) of the TCA, which enables an applicant to receive up to a maximum level of subsidy without engaging Chapter 3 of the TCA. This allowance is 325,000 Special Drawing Rights, to a single economic actor over any period of three fiscal years, which is the equivalent of £335,000 as at 2 March 2021. An applicant may elect not to receive grants under the Small Amounts of Financial Assistance Allowance and instead receive grants only using the below allowances available under this scheme.

COVID-19 Business Grant Allowance

Where the Small Amounts of Financial Assistance Allowance has been reached, grants may be paid in compliance with the Principles set out in Article 3.4 of the TCA and in compliance with Article 3.2(3) of the TCA under the COVID-19 Business Grant Allowance (subsidies granted on a temporary basis to respond to a national or global economic emergency).

For the purposes of these scheme rules, this allowance is £1,600,000 per single economic actor. This allowance includes any grants previously received under the COVID-19 business grant schemes and any State aid previously received under Section 3.1 of the European Commission's Temporary Framework across any other UK scheme. This 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 using the Special Drawing Right calculator).

COVID-19 Business Grant Special Allowance

Where an applicant has reached its limit under the Small Amounts of Financial Assistance Allowance and COVID-19 Business Grant Allowance, it may be able to access a further allowance of funding under these scheme rules of up to £9,000,000 per single economic actor, provided the following conditions are met:

- a. The Special Allowance covers only the applicant's uncovered fixed costs incurred during the period between 1 March 2020 and 31 March 2022, including such costs incurred in any part of that period ('eligible period');
- b. Applicants must demonstrate a decline in turnover during the eligible period of at least 30% compared to the same period in 2019. The calculation of losses will be based on audited accounts or official statutory accounts filed at Companies House, or approved accounts submitted to HMRC which includes information on the applicant's profit and loss;
- c. 'Uncovered fixed costs' means fixed costs not otherwise covered by profit, insurance or other subsidies;

d. The grant payment must not exceed 70% of the applicant's uncovered fixed costs, except for micro and small enterprises (for the purposes of this scheme defined as less than 50 employees and less than £9,000,000 of annual turnover and/or annual balance sheet), where the grant payment must not exceed 90% of the uncovered fixed costs;

e. Grant payments under this allowance must not exceed £9,000,000 per single economic actor. This allowance includes any grants previously received in accordance with Section 3.12 of the European Commission's Temporary Framework; all figures used must be gross, that is, before any deduction of tax or other charge;

g. Grants provided under this allowance shall not be cumulated with other subsidies for the same costs.

An applicant must be able to provide the necessary documentation to demonstrate it is eligible for funding under this COVID-19 Business Grant Special Allowance. Local Authorities must first verify that an applicant can meet all the criteria set out under this allowance before providing further funding under this allowance.

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' (as defined in Annex C) on 31 December 2019. In derogation to the above, grants can be granted to micro or small enterprises that were already in difficulty on 31 December 2019 provided that they are not subject to collective insolvency proceedings.

Forms of possible subsidy:

State grants, Interest rate relief, Tax relief, Tax credits, State guarantees or holdings, State provision of goods or services on preferential terms, Direct subsidies, Tax exemptions, Preferential interest rates, Guarantees of loans on especially favourable terms, Acquisition of land or buildings either gratuitously or on favourable terms, Provision of goods and services on preferential terms, Indemnities against operating losses, Reimbursement of costs in the event of success, State guarantees, whether direct or indirect, to credit operations preferential re-discount rates, Dividend guarantees, Preferential public ordering, Reduction of, or exemption from, charges or taxes, including accelerated depreciation and the reduction of social contributions, Deferred collection of fiscal or social contributions, Assistance financed by special levies, Capital transfers, Certain State holdings in the capital of undertakings.

