**EO4MCM – Clarification and update – 25th July 2023**

# Introduction

Recently there have been a number of changes to national legislation concerning award of grants. Specifically, the Subsidy Control Act 2022 is now in force following the detailed SCA guidance published at end of June 2023. This means that the rules governing the EO4MCM competition have changed since the Announcement of Opportunity was published.

For this EO4MCM activity we shall use the SCA Streamlined Scheme for Research, Development and Innovation, which is broadly similar to both the EU General Block Exemption Regulation for research and development, and the interim national Subsidy Control Scheme, but there are some important differences. When preparing your EO4MCM project finances, you will need to ensure that you are compliant with the new scheme. There are changes to one class of intervention rate, to definitions of small, medium and large companies, and limits to the amounts that can be given per project, per company within a 3-year rolling window. The relevant documents are below:

1. Subsidy Control Act 2022: Statutory Guidance for the United Kingdom Subsidy Control Regime, 30th June 2023: <https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1163028/subsidy-control-statutory-guidance.pdf>
2. Subsidy Control Act 2022: Research, Development and Innovation Streamlined Subsidy Scheme: <https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1128056/research-development-innovation-streamlined-route.pdf>
3. Subsidy Control Act 2022: Research, Development and Innovation Streamlined Route Guidance: <https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1128060/research-development-innovation-streamlined-route-guidance.pdf>

The material below replaces the section on Subsidy Control in the Announcement of Opportunity and will apply to your proposal.

## Subsidy Control

Introduction to Subsidy Control (and State aid where relevant)

UKSA supports UK based businesses to invest in research, development and innovation. The support we provide is consistent with the UK’s international obligations and commitments to Subsidy Control. These include:

* [WTO rules](https://www.gov.uk/guidance/trading-under-wto-rules).
* The Subsidy Control Act 2022.
* in certain circumstances (e.g. under the [Northern Ireland Protocol](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/840230/Revised_Protocol_to_the_Withdrawal_Agreement.pdf)) EU State aid regulations may also be applied.
* other bilateral [UK FTAs](https://www.gov.uk/government/collections/the-uks-trade-agreements) (Free Trade Agreements) where relevant.

### What is a subsidy?

For the purposes of UK international commitments, a subsidy is a measure which:

1. Is given by a public authority. This can be at any level; central, devolved, regional or local government or a public body.
2. Makes a contribution (this could be a financial or an in-kind contribution) to an enterprise, conferring an economic advantage that is not available on market terms. Examples of a contribution are grants, loans at below market rate, or a loan guarantee at below market rate or allowing a company to use publicly owned office space rent-free. An enterprise is anyone who puts goods or services on a market. An enterprise could be a government department or a charity if they are acting commercially.
3. Affects international trade. This can be trade with any World Trade Organisation member or, more specifically, between the UK and a country with whom it has a [Free Trade Agreement](https://www.gov.uk/government/collections/the-uks-trade-agreements). For example, if the subsidy is going towards a good which is traded between the UK and the EU this could affect trade between the EU and the UK. It is not necessary to consider whether the subsidy could harm trade, just whether there could be some sort of effect. Subsidies to very local companies or a small tourist attraction are unlikely to be a problem as this is unlikely to affect international trade.

The Subsidy Control Act 2022 is designed to prevent unfair advantages and distortion of trade in the award of subsidies. Information on the principles of awarding subsidies can be found in [RD3]. For the current 16th Call we shall use the Streamlined Scheme for Research, Development and Innovation as defined in [RD5]. It is similar to the previous schemes, and will be largely familiar, but there are significant differences which bidders must take into account.

## Subsidy Control Categories and Intervention Thresholds

The Subsidy Control Act has similar, but different to previous definitions of small and medium enterprises as shown in Table 2. See section 5.10 onwards of **[RD3]**. To qualify for any category (SE, ME, or LE), the company must meet at least two of the conditions (staff headcount, Turnover or Balance sheet total) within both the current financial year and the year previous. Anything above the limits for a medium sized company is designated as a large company. This is a change from the [EU definition](https://ec.europa.eu/growth/smes/sme-definition_en)[[1]](#footnote-1). For more information on company sizes, please refer to the  [Companies Act 2006 guidance](https://www.gov.uk/government/publications/life-of-a-company-annual-requirements/life-of-a-company-part-1-accounts#micro-entity).

**NB**: Under the Act’s Streamlined Subsidy Scheme for Research, Development and Innovation, each Enterprise is restricted to a maximum of £3 million for a particular development project within a 3-year rolling period. In this AO, the relevant window spans FY 21-22 (i.e., April 2021), 22-23, and runs to end of FY 23-24. Note that if the project overruns the 3-year window, the rolling period does not reset until the project completes. See section 6.29 of [RD 5]. This means that each bidding enterprise must declare in their application, all relevant UK subsidies received from any UK Public source, and their cumulative effect calculated. Note that funding from ESA and other international bodies is not counted in the accumulated total. Note that the subsidy accrual only applies to industrial/commercial partners.

summarises the maximum intervention thresholds and allowable level of support under this UKSA grant call for Financial Year 2023/2024. Note that other sources of public funding are not eligible as a Private Venture (PV) / match funding contribution. In all cases, the subsidy will be capped at £3 million, or capped by the limit indicated by the subsidy percentage, whichever is the lower.

See [RD3]section 13 and 14 for specific definitions and regulations governing of Feasibility Studies, Industrial Research and Experimental Development. A definition of eligible costs may be found in section 14.6. Note that costs for equipment and facilities for Industrial Research and Experimental Development are only eligible for the period of, and the role played in, the project see [RD3] section 14.8 onwards.

If a Feasibility Study is undertaken with support from a subsidy, and as a result of the study, a project is started under Industrial Research or Experimental Development, the study is not considered as part of that project for subsidy accrual purposes. See [RD3]**,** Chapter 13.

Table : Subsidy Control Act definition of Small and Medium sized enterprises

|  |  |  |
| --- | --- | --- |
| Qualifying Criteria | Small enterprises | Medium-sized enterprises |
| Turnover | Not more that £10.2 million | Not more than £36 million |
| Balance Sheet Total | Not more than £5.1 million | Not more than £18 million |
| Number of Employees | Not more than 50 | Not more than 250 |

Table : Subsidy Control Act categories and maximum allowable intervention rates

|  |  |
| --- | --- |
| **Subsidy Category** | **Allowable Level of Support**  |
| **SE** | **ME** | **LE** |
| Feasibility study | 70% | 60% | 50% |
| Industrial research | 70% | 60% | 50% |
| Industrial research projects involving collaboration/ dissemination\* | 85% | 75% | 65% |
| Experimental development | 45% | 35 % | 25% |
| Experimental development projects involving collaboration/dissemination\* | 60% | 50% | 40% |

*\*NOTE: The uplift for collaborations is valid if at least one partner is an SME, and /or a research and knowledge dissemination organisation See [RD3] section 14.21. Collaborations between businesses and research organisations where the collaborating SME or research organisation bears at least 10% of the costs. A valid collaboration with a research organisation implies their right to publish their own research. Procurement/supplier relationships do not qualify.*

## Subsidy Control: Partner Past Subsidies Awarded and Cumulation

You must use the template below (Table 3) to declare the subsidies the consortium partners have received in the current 3-year period. Please provide a table for each partner. Note that the grants must relate to single coherent project line, avoiding ambiguity.

Table : Past subsidies awarded to industrial/commercial project partners for the current project.

|  |
| --- |
| Project Title |
| Partner | Funding source | Date of award DD/MM/YYYY | Duration | Grant Value | Requested in this proposal |
| Grant | (NSTP, CEOI, NSIP etc.) |  |  | £ |  |
| Grant |  |  |  | £ |
| … |  |  |  | £ |
| Partner totals |  |  |  | £ | £  |

Please provide details of the grant sum requested by each partner using the template Table 4.

Table : Grant request in this proposal by partner.

|  |  |
| --- | --- |
| Partner | Requested in this proposal |
| Partner 1 |  |
| Partner 2 |  |
| … |  |
| Totals | £ |

1. If an application engages the Northern Ireland Protocol then the applicant should revert to the EU definition of SMEs, and EU intervention rates will apply. [↑](#footnote-ref-1)