

Guidance about subsidy control

Current rules

In awarding funding, public bodies (or intermediaries) need to self-assess their compliance with subsidy control law. They will need to determine whether their subsidy carries any appreciable risk of triggering a dispute with a trade partner under the terms of the World Trade Organisation Agreement on Subsidies or Countervailing Measures rules or the UK's various Free Trade Agreements.

What is a subsidy?

In general terms, a subsidy is a financial contribution using public resources which confers a benefit on the recipient. This could include, for example, a cash payment, a loan with interest below the market rate, subsidised or free services provided through State resources or a loan guarantee. Subsidies are administered by all levels of government and public bodies in the UK (and via other intermediary bodies).

A subsidy is present where the following four criteria are met:

- Support is awarded through UK public resources.
- There is an economic advantage to an economic actor (organisations offering goods or service on a market)
- The support is specific.
- There is (or could be) an effect on trade or investment between the UK and EU.

Principles

To ensure no material effect on trade or investment between UK and EU, any subsidy must respect six subsidy principles. The six principles closely mirror the principles used for assessing compatibility of State aid.

The six common principles for subsidy compliance are as follows:

- Subsidy pursues specific public policy objective, identified market failure or addresses an equity rationale (e.g. research and development)
- Subsidy is proportionate and limited to what is necessary
- Subsidy is designed to bring about change in economic behaviour of recipient (i.e. incentive effect)
- Subsidy does not cover costs recipient would have funded in any event (i.e. work on the funded project should not already have started)
- Subsidy is an appropriate policy instrument, and the policy objective cannot be achieved through less distortive measures
- The positive contribution of the subsidy outweighs any negative effects, especially negative effects on trade or investment

Please read the [technical guidance](#) from UK Government for more information.