

# COVID-19 Business Grant Subsidy Allowance

The below information is an extract of the Subsidy Allowance information and terms as set out in the Omicron Hospitality and Leisure Grant (points 83-96, and Annex C). Full guidance for this grant scheme can be found at:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1046032/omicron-hospitality-and-leisure-grant-guidance-rev.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1046032/omicron-hospitality-and-leisure-grant-guidance-rev.pdf)

This also applies to the Additional Restrictions Grant, full guidance can be found at:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1046033/additional-restrictions-grant-la-guidance-rev.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1046033/additional-restrictions-grant-la-guidance-rev.pdf)

## *BEGINNING OF EXTRACT*

83. 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. However, in the vast majority of cases this will not apply. The United Kingdom remains bound by its international commitments, including subsidy obligations set out in the Trade and Cooperation Agreement (TCA) with the EU. BEIS Guidance for public authorities explaining the subsidies chapter of the TCA, World Trade Organisation rules on subsidies, and other international commitments can be found here:

<https://www.gov.uk/government/publications/complying-with-the-uks-international-obligations-on-subsidy-control-guidance-for-public-authorities>

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

84. 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.

85. There are three subsidy allowances for the COVID-19 Business Grant Schemes set out below: Small Amounts of Financial Assistance Allowance, the COVID-19 Business Grant Allowance and the COVID-19 Business Grant Special Allowance. For grants that could be in scope of the Northern Ireland Protocol, please see paragraphs 92 to 94 below.

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86. We have concluded that the COVID-19 Business Grant Allowance and the COVID-19 Business Grant Special Allowance are compatible with the principles set out in Article 366 of the TCA and are targeted, proportionate, and effective in order to remedy difficulties caused by the COVID-19 pandemic for the purposes of Article 364(3). These two allowances constitute subsidy schemes for the purposes of Article 373(4) of the TCA and the transparency requirements at Article 369 of the TCA. Local Authorities will still need to consider their own transparency obligations in relation to individual award (see paragraph 92 below).

## Small Amounts of Financial Assistance Allowance

87. Grants may be paid in accordance with Article 364(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 up to 325,000 Special Drawing Rights, to a single economic actor over a rolling period of three fiscal years (the “**Relevant Period**”), which is the equivalent of £335,000 as at 2 March 2021<sup>1</sup>. When calculating the amount of subsidy an applicant has received under Article 364(4) of the TCA in a Relevant Period, a local authority should have regard to any subsidy given under Article 364(4) and any subsidy given under Commission Regulation (EU) No 1407/2013 (the De Minimis Regulation). 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

88. Where the Small Amounts of Financial Assistance Allowance has been reached or an applicant has elected not to receive a grant under this allowance, grants may be paid in compliance with the Principles set out in Article 366 of the TCA and in compliance with Article 364(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 the COVID-19 Business Grant Schemes, this allowance is £1,900,000 per single economic actor. This allowance includes any grants previously received under other COVID-19 Business Grant Schemes using the COVID-19 Business Grant Allowance 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 £2,235,000 (subject to the exact amount applicable under the Small Amounts of Financial Assistance Allowance using the Special Drawing Right calculator, and any other support an applicant has received under the Small Amounts of Financial Assistance Allowance in the Relevant Period).

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<sup>1</sup> The Special Drawing Right calculator here can be used to calculate the exchange rate on the day the subsidy is awarded: [https://coinmill.com/SDR\\_calculator.html](https://coinmill.com/SDR_calculator.html)

## COVID-19 Business Grant Special Allowance

89. 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 the COVID-19 Business Grant Schemes of up to £10,000,000 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 the date of application, 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; 16
- e. Grant payments under this allowance must not exceed £10,000,000 per single economic actor. This allowance includes any subsidies previously received in accordance with Section 3.12 of the European Commission's Temporary Framework or previously received under the COVID-19 Business Grant Schemes using this COVID-19 Business Grant Special Allowance; all figures used must be gross, that is, before any deduction of tax or other charge;
- f. Grants provided under this allowance shall not be cumulated with other subsidies for the same costs.

90. 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.

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

92. Local Authorities must ensure the remaining applicable provisions of the subsidies chapter of the TCA are complied with. In particular, the transparency obligations under Article 369. The transparency database can be found at <https://manageuksubsidies.beis.gov.uk/>. All schemes and individual awards over £500,000 must be uploaded within six months of being granted. Any ad hoc awards of at least 325,000 Special Drawing Rights over three years to an individual beneficiary must also be uploaded within six months of being granted. For access to and any further questions on the database, please contact the BEIS subsidy control team at [subsidycontrol@beis.gov.uk](mailto:subsidycontrol@beis.gov.uk).

93. For the avoidance of doubt, grants under the Small Amounts of Financial Assistance Allowance, the COVID-19 Business Grant Allowance and the COVID-19 Business Grant Special Allowance may be combined for a potential total allowance of £12,235,000 (taking into account all grants previously received under the COVID-19 business grants schemes and subject to the exact amount applicable under the Small Amounts of Financial Assistance Allowance using the Special Drawing Right calculator and the three fiscal year period applicable to the Small Amounts of Financial Assistance Allowance).

## Article 10 of the Northern Ireland Protocol

94. Grants in scope of Article 10 of the Northern Ireland Protocol remain subject to EU State aid rules<sup>2</sup>, following the end of the Transition Period which ended on 31 December 2020. Article 10 provides that EU State aid rules will continue to apply to the UK in respect of measures which affect trade in goods and electricity between Northern Ireland and the European Union.

95. In assessing whether Article 10 may apply, Local Authorities are directed to Section 7 of the technical BEIS Guidance which covers the practical application of Article 10. Local Authorities applying Article 10 must follow Section 7 of the technical BEIS Guidance.

96. Where a Local Authority grant falls within scope of Article 10 of the Northern Ireland Protocol, then a Local Authority cannot rely on the Small Amounts of Financial Assistance Allowance. Instead, a Local Authority must see if the grant can be awarded under the De Minimis Regulation which allows for up to 200,000 euros of subsidy to be given to an undertaking in a rolling three year fiscal period. If a grant falls within scope of the Northern Ireland Protocol and the De Minimis Regulation cannot be relied upon, then the Local Authority will need to satisfy itself there is another legal route to award the grant in compliance with EU State aid Rules. For example, the grants may be given under the European Commission's Temporary Framework<sup>3</sup>.

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<sup>2</sup> This means grants in scope of Article 10 of the Northern Ireland Protocol must comply with the provisions set out in the 4th amendment of the State aid Temporary Framework dated 13 October 2020.

<sup>3</sup> The UK Temporary Framework for State aid for COVID-19 responses currently expires on 31 December 2021. A decision on approval of extension of the UK scheme from the Commission is pending at the time of writing.

## Annex C – Undertaking in difficulty

'Undertaking in difficulty' means an undertaking in respect of which at least one of the following circumstances occurs:

- (a) In the case of a limited liability company (other than an SME that has been in existence for less than three years) where more than half of its subscribed share capital has disappeared as a result of accumulated losses. This is the case when deduction of accumulated losses from reserves (and all other elements generally considered as part of the own funds of the company) leads to a negative cumulative amount that exceeds half of the subscribed share capital. For the purposes of this provision, 'share capital' includes, where relevant, any share premium.
- (b) In the case of a company where at least some members have unlimited liability for the debt of the company (other than an SME that has been in existence for less than three years) where more than half of its capital as shown in the company accounts has disappeared as a result of accumulated losses.
- (c) Where the undertaking is subject to collective insolvency proceedings or fulfils the criteria for being placed in collective insolvency proceedings at the request of its creditors.
- (d) Where the undertaking has received rescue aid and has not yet reimbursed the loan or terminated the guarantee or has received restructuring aid and is still subject to a restructuring plan.
- (e) In the case of an undertaking that is not an SME, where, for the past two years:
  - (1) the undertaking's book debt to equity ratio has been greater than 7.5 and
  - (2) the undertaking's EBITDA interest coverage ratio has been below 1.0.

*END OF EXTRACT*

Full scheme specific guidance can be found at:

<https://www.gov.uk/government/publications/coronavirus-covid-19-guidance-on-business-support-grant-funding>