

Welsh Government State Aid Unit

How to use a GBER Regional Aid Scheme

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How to use a GBER Regional Aid Scheme

This document provides practical guidance on how to use a General Block Exemption Regulation (GBER) Regional Aid scheme. This guide is not a summary of the GBER. This guidance will be most relevant to Welsh Government officials, local authorities, and companies receiving Regional Aid.

This guide is not a substitute for legal advice which should be sought in individual cases. The guidance is accurate at the date of publication but please note that the law is subject to constant change.

A full version of the Regulation can be found at:

<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02014R0651-20170710&from=EN>

A summary of the GBER can be found at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/325465/bis-14-943-state-aid-general-block-exemption-guidance.pdf

An introduction to Assisted Areas and Regional aid can be found at:

<https://www.gov.uk/government/publications/state-aid-assisted-areas-introduction>

An interactive UK Assisted Areas map can be found at:

<http://www.ukassistedareamap.com/ieindex.html>

Background

The Regional Aid provisions of the GBER can be used by public authorities to provide support to companies in Assisted Areas for investment in tangible or intangible assets. This type of State aid is allowed because the European Commission considers that in economically disadvantaged areas public money may be needed to encourage inward investment and to grow businesses. The aid helps offset regional disparities – Articles 107 3 (a) and 107 3 (c) of the Treaty on the Functioning of the European Union refers.

Terminology explained....

By Assisted Areas we mean areas in Wales covered by the UK Assisted Area map (2014-2020). In Wales we have two types of areas – ‘a’ areas (sometimes referred to as Tier 1 areas) and ‘c’ areas (sometimes referred to as Tier 2 areas).

In Wales the ‘a’ (or Tier 1 areas) are easy to identify because they are based on local authority boundary areas. These are:

- Blaenau Gwent
- Bridgend
- Caerphilly
- Carmarthenshire
- Ceredigion
- Conwy
- Denbighshire
- Gwynedd
- Isle of Anglesey
- Merthyr Tydfil
- Neath Port Talbot
- Pembrokeshire
- Rhondda Cynon Taff
- City and County of Swansea
- Torfaen

Tier 2 areas are more difficult to identify as they are limited to wards in the following local authority areas:

- Cardiff
- Flintshire
- Newport
- Powys
- Vale of Glamorgan
- Wrexham

The UK Government has developed a post code search tool that can be used to identify if a company is in an assisted area. It can be found at:

<http://www.ukassistedareasmap.com/ieindex.html>

By tangible assets we mean land, buildings and plant, machinery and equipment.

By intangible assets we mean assets that do not have a physical or financial form such as patents, licences, know-how or other intellectual property.

Using the GBER Regional Aid scheme

To run a GBER Regional Aid scheme the correct procedures must be put in place.

Step 1 – Check that GBER Regional Aid provisions apply

Is the Company in an assisted area?

Is the funding for investment in tangible or intangible assets? (Support can also be provided for wage costs for new jobs created as the result of a capital investment).

If you have answered yes to both questions, then it is likely that the GBER Regional Aid provisions will apply.

Step 2 – Identify the right State aid registration

Every GBER Regional Aid Scheme must be registered with the Commission.

If you work for the Welsh Government (or are running a scheme on behalf of the Welsh Government) you can use the following registrations:

SA.49662	Welsh Government Capital Investment Aid and Employment Aid Scheme	https://gov.wales/funding/state-aid/gber/schemes/capital-investment-aid/?lang=en
SA.49663	Welsh Government Property Development Scheme	https://gov.wales/funding/state-aid/gber/schemes/090130property/?lang=en

If you work for a Welsh local authority (or are running a scheme on behalf of a local authority) you can use the following registration:

SA.49737	Welsh Local Government Capital Investment Aid and Employment Aid Scheme	https://www.wlga.wales/SharedFiles/Download.aspx?pageid=62&mid=665&fileid=1340
SA.49738	Welsh Local Government Property Development Grant Scheme	https://www.wlga.wales/SharedFiles/Download.aspx?pageid=62&mid=665&fileid=1344

If none of these registrations apply to you, then you will need to register a scheme. The State Aid Unit can help you with this process. Email the State aid mailbox:

state.aid@gov.wales

Step 3 – Make sure that the support you want to give is compatible with all the conditions for GBER Regional Aid.

Support is only considered to be compatible State aid where it meets all the terms and conditions of the GBER, and therefore the registered scheme. Each investment will need to be checked against these terms. Annex 1 of this document contains checklists that you can use to assist you.

You will also need to keep supporting evidence to show that all the terms and conditions are met. This is because if the European Commission asks you will need to be able to show that the support you gave was compatible with the rules.

Step 4 – Check if the support is more than €500,000

If the support you are providing is more than €500,000 the sterling equivalent should be calculated using the European Commission's exchange rate convertor, this can be found at:

http://ec.europa.eu/budget/contracts_grants/info_contracts/infoeuro/infoeuro_en.cfm

Details of the investment must then be made available on the European Commission's Transparency database, which can be viewed by the general public. You are required to collect the following information:

- Name of company receiving the support
- The company's identifier
- Type of company (SME or large) at time of granting
- Region in which the company is located at NUTS 2 level (annex 2 – has a list of NUTS 2 Areas)
- Sector of activity at NACE group level – a list of NACE codes can be found at http://ec.europa.eu/competition/mergers/cases/index/nace_all.html
- Aid amount in sterling
- Aid instrument (grant/Interest rate subsidy, loan, repayable advances/reimbursable grant, guarantee, tax advantage or exemption, risk finance, other (please specify))
- Date of granting
- Objective of the aid
- Granting authority
- Reference of the aid measure

Step 5 – Check you are registered for annual return monitoring

Write to the Welsh Government's State Aid Unit to tell them which registration you are using providing a contact name, telephone number and email address. This State Aid Unit need this information because they co-ordinate the annual return monitoring process for Wales. They need to have a contact for each organisation that is providing funding under a registered GBER Regional Aid scheme. The State aid email address is:

state.aid@gov.wales

The Postal address is:

State Aid Unit
Welsh Government
Cathays Park 2
Cardiff
CF10 3NQ

Annex 1- Checklist

Information about the company/enterprise assisted		Confirm y/n	Supporting Evidence Provided
Confirm size	SME or large enterprise (eligible for support in Assisted Areas only as determined by the UK Regional Aid Map)		
Confirm location of the enterprise	SMEs – Article 107 3 (a) Article 107 3 (c) Powys,		
Confirm that the enterprise assisted is NOT in one of the following sectors:	<ul style="list-style-type: none"> • Fisheries and aquaculture • Primary production of agricultural products • Coal • Steel • Shipbuilding • Synthetic fibres • Transport • Energy generation, distribution, infrastructure • Airports • Processing and marketing of agricultural products where (1) the amount of aid is fixed on the basis of the price or quantity of such products purchased from primary producers or put on the market by the SME concerned or (2) the aid is conditional on being partly or entirely passed on to the primary producers 		
Confirm that the enterprise assisted is NOT subject to either of the following:	<ul style="list-style-type: none"> • An outstanding order for the recovery of aid which has been declared by the Commission to be illegal and incompatible with the Common market; • “a firm in difficulty” within the meaning of Chapter 2 of the Community guidelines on State aid for rescuing and restructuring firms in difficulty (OJ C 244, 1.10.2004, p.2). 		
Confirm that the company has not closed down a facility leading to job losses for the same or a similar activity in a different European Economic Area Member State in the previous two years, nor has concrete plans to do so in the next two years.			
Information about the project			
Confirm that this is the only initial investment project the company (at group level) has sought aid for in the NUTS 3 area in the last 3 years (from date of start of works).			

Note: if they have received support for another initial investment project in the area during this period then both project will be classed as a Single investment project and should be assessed as 1 project			
Confirm that no work started on the project prior to the application			
Confirm that the company submitted a written application including the following information before work started on the project: (a) Name and size (b) Description of the project, including its start and end dates (c) Location of the project (d) List of project costs (e) Form of and amount of public funding needed for the project.			
Research infrastructures – Confirm that the research infrastructure will be made available to all on a non-discriminatory basis			
Information about the support			
Confirm that support is NOT for any of the following activities:	<ul style="list-style-type: none"> • Export related activities • Aid contingent upon the use of domestic over imported goods • For the closure of an uncompetitive coal mines • exploiting R&D&I results in other Member States 		
Confirm that the following restrictions do not apply	<ul style="list-style-type: none"> • Companies are required to have their headquarters in the UK or to be predominantly established in the UK • There company is restricted to only exploiting R&D&I results in the UK 		
For SMEs in all areas and large companies in ‘a’ areas confirm that the support relates to initial investment	<ul style="list-style-type: none"> • Setting up of a new establishment; • Extension of the capacity of an existing establishment • Diversification of the output of the establishment into new, additional products • Fundamental change in the overall production process; or • The acquisition of the capital assets directly linked to an establishment that has closed (or would have closed had it not been purchased) 		
For large companies in ‘c’ areas confirm the support relates to initial investment in favour of new economic activity in the area concerned Same or similar activity means – an activity	<ul style="list-style-type: none"> • Setting up of a new establishment, or the diversification of the activity of an establishment as long as the new activity is not the same or a similar activity to the previously performed activity in the establishment; or • Acquisition of the assets belonging to an establishment that had 		

falling under the same 4 digit NACE code	closed or would of closed without being purchased as long as the new activity to be performed using the assets are not the same or similar to the activity previously performed in the establishment prior to the acquisitions		
Confirm type of aid:	<ul style="list-style-type: none"> • Grant • Interest rate subsidies • Loan (see extra conditions) • Repayable advance • Guarantee (see extra conditions) 		
If the support is funded as a loan confirm that the gross grant equivalent has been calculated on the basis of the Commission's reference rate			
If the support is funded as a guarantee confirm that the gross grant equivalent (GGE) has been calculated on the safe-harbour premiums laid down in a Commission Notice or that the GGE has been accepted before implementation on the basis of the Commission Notice on Guarantees and the approved calculation methodology explicitly addresses the type of guarantee and the type of the underlying transaction at stake in the context of the application of the GBER.			
Repayable advances – confirm the maximum aid intensity established in a regional aid map in force at the time of award cannot be increased.			
Information about eligible costs			
Confirm eligibility of supported costs:	<ul style="list-style-type: none"> • Tangible assets; • Intangible assets; • Wage costs 		
Confirm that eligible costs are supported by clear, specific and contemporary documents			
Confirm that the assets are new	NB Does not apply to SMEs and takeovers		
Assets - Confirm that only costs for assets bought from third parties unrelated to the buyer and under market conditions are included <i>*this condition is waived for takeovers by members of the original owner or employee taking over a small enterprise</i>			
Confirm that any aid that has been granted for assets prior to purchase has been deducted <i>*this condition is waived for takeovers by members of the original owner or employee taking over a small enterprise</i>			
Fundamental change in the production process – Confirm that: <ol style="list-style-type: none"> 1. Eligible costs exceed depreciation of the assets in the course of the preceding 3 fiscal years; 2. Diversification of existing establishment; eligible costs exceed by at least 200% the book value (one year before start of works) of the assets that are reused 			
Confirm that for leased assets the following conditions are met	<ul style="list-style-type: none"> • Land and buildings – lease continues for at least 5 years (3 for SMEs) after the completion of the investment • Plant/machinery – lease takes the 		

	form of financial leasing and contain an obligation to buy the asset at the end of the lease			
<p>Confirm for intangible assets the following conditions are met</p> <p>Note for large companies – costs of intangible assets are eligible up to a limit of 50% of the total eligible costs for the initial investment</p>	<ul style="list-style-type: none"> • Assets used exclusively in the company • Assets are amortizable • Assets are purchased under market conditions from third parties not related to the buyer • Assets of the beneficiary are associated with the aided project for at least 5 years (3 for SMEs) 			
<p>Where aid is calculated on the basis of wage costs, confirm:</p>	<ul style="list-style-type: none"> • There is a net increase in the number of employees in the establishment, compared with the average over the previous year (any job losses should be deducted) • Each post can be filled within 3 years of completion of works • Jobs are maintained in the area for at least 5 years from date they are filled (3 for SMEs) 			
<p>Confirm that no other aid has been given for the same eligible costs</p>	<p>If this is the case, ensure cumulation of such aid given under the General Block Exemption Regulation does not exceed the highest aid intensity or aid amount applicable under the General Block Exemption Regulation</p>			
Information about aid intensities				
<p>Confirm the total level of ALL public funding (including structural funds) awarded and that it is within the permitted intensity levels</p>		Small	Medium	Large
	107 (3)(a) areas	45%	35%	25%
	107(3)(c) areas	30%	20%	10%
	Large project (more than €100m project cost) 107 3(a)	25%	25%	25%
	Large project (more than €100m project cost) 107 3(c)	10%	10%	10%

For large investments (more than €50m) confirm that the aid intensity has been reduced accordingly	Level of investment	Allowed % of relevant regional aid ceiling		
	Up to €50m	100%		
	Between €50m and €100m	50%		
	Over €100m	0%		
For European Territorial Co-operation projects – Confirm you have applied the aid intensity applicable to the area where highest amount of eligible cost is incurred				
Confirm the amount of contribution free from public support provided by the beneficiary is at least 25%			%	
Information about notification thresholds				
Confirm that the aid is not more than:				
107 3 (a) areas	€18,750,000			
107 3 (c) areas	€7,500,000			
Information about reporting				
<p>Confirm that if the aid is above €500,000 you have collected the following information to input on the Member State database:</p> <ul style="list-style-type: none"> • Name of company receiving the support; • The company's identifier; • Type of company (small, medium or large) at time of granting; • Region in which the company is located at NUTS 2 level (annex 2 – has a list of NUTS 2 Areas); • Sector of activity at NACE group level – a list of NACE codes can be found at: <p>http://ec.europa.eu/competition/mergers/cases/index/nace_all.html</p> <ul style="list-style-type: none"> • Aid amount in sterling; • Aid instrument (grant/Interest rate subsidy, loan, repayable advances/reimbursable grant, guarantee, tax advantage or exemption, risk finance, other (please specify)); • Date of granting the aid; • Objective of the aid i.e. what will it be used for? What do you hope to achieve by granting the aid? • Granting authority; • Reference of the aid measure. 				
Confirm that you have provided contact name and information to state.aid@gov.wales				

Annex 2

NUTS* 2 areas in Wales

West Wales and the Valleys	Blaenau Gwent
	Bridgend
	Caerphilly
	Carmarthenshire
	Ceredigion
	Conwy
	Denbighshire
	Gwynedd
	Isle of Anglesey
	Merthyr Tydfil
	Neath Port Talbot
	Pembrokeshire
	Rhondda Cynon Taff
	City and County of Swansea
	Torfaen
**East Wales	Cardiff
	Flintshire
	Newport
	Powys
	Vale of Glamorgan
	Wrexham

***NUTS, 'Nomenclature of Units for Territorial Statistics', is a geocode standard for referencing the subdivisions of EU Member States for statistical purposes.**

****Monmouthshire is also part of East Wales, however it is not currently an area covered by the UK assisted areas map.**