

# Community Led Local Development

## Guidance Note: State Aid

What is it and why is it important?





## CLLD State Aid

### Introduction

State aid is any support (financial and non-financial) provided by public authorities, using taxpayer-funded resources, to an organisation on a selective basis in a way that gives an advantage over others. This could potentially distort competition and trade in the European Union. The most common forms of state aid include grants, loans, tax breaks and the use or sale of a state asset for free or at less than market price.

State aid rules only apply to organisations that are involved in commercial activities. These could be businesses, charities, public authorities and even other non-profit making bodies - if they are trading. Support provided to individuals is not state aid.

### **Why does State Aid apply?**

In principle, state aid is not allowed in the European Union. However, some state aid is beneficial to the economy and supports growth and other policy objectives. State aid can be given to support a wide variety of activities including research and development, environmental protection and aid for small to medium-sized businesses. The state aid rules allow for good aid, which is necessary to deliver growth and other important objectives.

The state aid can be given legally by:

- using one of a set of pre-approved EU mechanisms for state aid,
- by getting approval for the particular scheme from the EU Commission.

For CLLD in Cornwall we are going to use pre-approved EU mechanisms for state aid. We have identified 7 such schemes that are most relevant to the type of projects that CLLD seeks to support. Each mechanism has its own set of rules and requirements.

We will discuss with you which mechanism is most appropriate to your project and therefore you will have to comply with it. We will support you in complying with the requirements, provide with detailed guidance and templates of documents you will need to use, if relevant. However, you need to be aware that you will be responsible for complying with the rules and requirements of the scheme identified for your project. Failure to provide evidence that you have done so may result in financial penalties.

### **Which State Aid rules apply for CLLD?**

Pre-approved mechanisms for state aid that are most relevant to CLLD in Cornwall:



Scheme name	Legal basis	The main rules and requirements
Regional Investment Aid	General Block Exemption Article 14	<p>Applicable to a wide range of projects in Cornwall and Isles of Scilly. Aid must be eligible and for an initial investment in tangible and intangible assets to:</p> <ul style="list-style-type: none"> <li>• Set up new establishment</li> <li>• Extend capacity of existing establishment</li> <li>• Diversification of the output into products not previously produced</li> <li>• A fundamental change in the overall production process, or</li> <li>• Acquisition of assets belonging to an establishment that has closed or would have been closed had it not been purchased (excludes sole acquisition of shares)</li> </ul> <p>Aid may be granted to SMEs and large undertakings. The investment must be maintained for 3 years for SMEs; 5 for large undertakings. Maximum aid intensities:</p> <ul style="list-style-type: none"> <li>• 25% for large undertakings</li> <li>• 35% for medium sized undertakings</li> <li>• 45% for small undertakings</li> </ul> <p>Match eg. 55% must be private sector Public sector applicants can receive 90%</p>
Aid for the recruitment of disadvantaged workers in the form of wage subsidies	General Block Exemption Article 32	<p>Eligible costs are the wage costs over a maximum period of 12 months following recruitment of a disadvantaged worker; 24 months for a severely disadvantaged worker. Rules exist regarding recruitment, redundancy and continuous employment. Maximum aid intensity: 50%</p>
Aid for the recruitment of workers with disabilities in the form of wage subsidies	General Block Exemption Article 33	<p>Eligible costs are the wage costs over any given period the worker with disabilities is employed. Rules exist regarding recruitment, redundancy and continuous employment. Maximum aid intensity: 50%</p>
Aid for compensating the additional costs of employing workers with disabilities	General Block Exemption Article 34	<p>Eligible costs are:</p> <ul style="list-style-type: none"> <li>Adaption of premises</li> <li>Staff costs for those solely employed for assisting &amp; training workers with disabilities</li> <li>Costs of acquiring or adapting equipment</li> <li>Transport costs to get to place of work</li> <li>Wage costs for time spent on rehabilitation</li> <li>Costs of adapting production units where sheltered employment provided</li> </ul>



		Refer to guidance for definition of a worker with disabilities and sheltered employment
Aid for compensating the costs of assistance provided to disadvantaged workers	General Block Exemption Article 35	Staff costs where employed solely for time spent on providing assistance to disadvantaged workers for a maximum of 12 months or 24 month in the case of severely disadvantaged workers. Refer to guidance for conditions and definition of disadvantaged and severely disadvantaged worker.
Aid for Culture and Heritage Conservation	General Block Exemption Article 53	<p>Eligible for the following cultural purposes:</p> <ul style="list-style-type: none"> <li>• Infrastructures, organisations and institutions</li> <li>• Movable or immovable cultural heritage sites</li> <li>• Intangible heritage</li> <li>• Cultural events</li> <li>• Education activities</li> <li>• Publishing</li> </ul> <p>Aid can be investment aid; 80% of the time or space must be used for cultural purposes. Aid can also be operating aid and for publishing. Refer to guidance for eligible costs and aid intensity as they vary.</p>
De Minimis	De Minimis	Where GBER cannot be used or for aid below £10,000. For eligible capital and revenue costs. The maximum aid is €200,000 in the previous 3 year period. Maximum aid 72%.

**What do I need to do next?**

We appreciate this is a complex topic so please do contact your local facilitator if you think you have an eligible project.