

State aid if there's no Brexit deal

Summary

How the state aid rules would operate if the UK leaves the EU in March 2019 with 'no deal'.

Detail

Find out how state aid givers and beneficiaries will be affected if the UK leaves the EU in March 2019 with 'no deal'.

A scenario in which the UK leaves the EU without agreement (a 'no deal' scenario) remains unlikely given the mutual interests of the UK and the EU in securing a negotiated outcome.

Negotiations are progressing well and both we and the EU continue to work hard to seek a positive deal. However, it's our duty as a responsible government to prepare for all eventualities, including 'no deal', until we can be certain of the outcome of those negotiations.

For two years, the government has been implementing a significant programme of work to ensure the UK will be ready from day 1 in all scenarios, including a potential 'no deal' outcome in March 2019.

It has always been the case that as we get nearer to March 2019, preparations for a 'no deal' scenario would have to be accelerated. Such an acceleration does not reflect an increased likelihood of a 'no deal' outcome. Rather it is about ensuring our plans are in place in the unlikely scenario that they need to be relied upon.

This series of technical notices sets out information to allow businesses and citizens to understand what they would need to do in a 'no deal' scenario, so they can make informed plans and preparations.

This guidance is part of that series.

Also included is an overarching framing notice explaining the government's overarching approach to preparing the UK for this outcome in order to minimise disruption and ensure a smooth and orderly exit in all scenarios.

We are working with the devolved administrations on technical notices and we will continue to do so as plans develop.

Purpose

This notice explains to state aid givers and beneficiaries how the state aid rules will apply in the United Kingdom in the unlikely event that the UK leaves the EU in March 2019 with no agreement in place.

Before 29 March 2019

State aid is support in any form (financial or in kind) from any level of government – central, regional or local – which gives a business or another entity a benefit in the single market that could not be obtained during the normal course of business.

State aid is governed by a legal framework. These rules are set out in the Treaty of the Functioning of the European Union and associated European legislation. The rules are in place to ensure open and fair competition and to prevent subsidies causing unfair distortions within the single market.

As long as the UK is part of the EU, state aid rules have direct effect without the need for domestic implementing legislation. The rules are enforced by the European Commission. There is no specific UK legislation related to state aid regulation. It is, however, possible to bring a claim in the UK courts to force aid givers who have not notified aid (to the European Commission) to stop giving aid until they have done so.

The UK strongly supports a rigorous state aid system – this is good for taxpayers, consumers, and for businesses.

After 29 March 2019 if there's 'no deal'

The government will create a UK-wide subsidy control framework to ensure the continuing control of anti-competitive subsidies.

The EU state aid rules will be transposed into UK domestic legislation under the European Union (Withdrawal) Act. This will apply to all sectors; and will mirror existing block exemptions as allowed under the current rules, including the Agricultural Block Exemption Regulation, and the Fisheries Block Exemption Regulation.

The Competition and Markets Authority, which is a world leading competition authority, will take on the role of enforcement and supervision for the whole of the UK.

The UK government will continue to work with the devolved administrations to ensure the new state aid regime works for the whole of the UK.

Implications

If the UK were to leave the EU on 29 March 2019 with no agreement, the Competition and Markets Authority will take over state aid regulation within the UK at that point. The new regime will apply to all businesses with operations in the UK – whether UK, EU or third country based.

From that point:

- UK public authorities will need to notify state aid to any undertaking, through either the block exemption or through a full notification to the Competition and Markets Authority instead of the European Commission
- Existing approvals of state aid, including block exemption approvals, will remain valid and will be carried over into UK law under the Withdrawal Act
- Any full notifications not yet approved by the Commission should be submitted to the Competition and Markets Authority.

Actions for businesses and other stakeholders

All businesses

UK businesses and EU businesses with operations in the UK will still be able to receive state aid from UK public authorities in accordance with the UK state aid rules.

Any complaints from businesses about unlawful aid or the misuse of aid should be made to the Competition and Markets Authority.

Businesses should also consult further guidance to be published by the Competition and Markets Authority in early 2019.

Further information

The government intends to pass secondary legislation under the Withdrawal Act in autumn 2018. This will replicate the existing state aid framework, with only technical modifications to correct deficiencies with the transposed EU law to ensure the regime operates effectively in a domestic context.

After legislation has passed, the Competition and Markets Authority will publish its own guidance explaining in more detail how it will operate its state aid regulatory function. Please also see further information on the [Competition and Markets Authority](#).

This notice is meant for guidance only. You should consider whether you need separate professional advice before making specific preparations.

It is part of the government's ongoing programme of planning for all possible outcomes. We expect to negotiate a successful deal with the EU.