

SCOTTISH ENTERPRISE SME SUBSIDY SCHEME 2022 - 2025 – SC10675

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1. OBJECTIVES

- 1.1 The Scottish Enterprise SME Subsidy Scheme (the “**Scheme**”) covers discretionary funding awarded to enterprises to assist them with areas of activity outlined below.
- 1.2 The principal objective of the Scheme is to encourage development and growth of businesses in Scotland through increasing competitiveness, efficiency and exploitation of commercial potential.

2. LEGAL BASIS

- 2.1 Scottish Enterprise (“**SE**”) is established under the Enterprise and New Towns (Scotland) Act 1990 and provides support to enterprises across Scotland under the provisions of that Act.
- 2.2 Following the expiry of the Brexit transition period on 31 December 2020, the UK is no longer subject to EU State aid rules. The only exceptions to this are for aid that is caught by the NI Protocol and for awards of funding that include contributions from EU Structural Funds.
- 2.3 The Scheme is required to comply with the provisions on subsidy control listed below, insofar as they are relevant to the specific facts and circumstances of the proposed support:
 - a) Part Two, Heading One, Title XI, Chapter 3 of the UK-EU Trade and Cooperation Agreement signed on 30 December 2020 (as implemented by section 29 of the European Union (Future Relationship) Act 2020) (the “**TCA**”);
 - b) the Northern Ireland Protocol to the UK-EU Withdrawal Agreement agreed on 17 October 2019 (as implemented by section 7A of the European Union (Withdrawal) Act 2018) (the “**NI Protocol**”);
 - c) Article 138 of the UK-EU Withdrawal Agreement agreed on 17 October 2019 in respect of EU Structural Funds (as implemented by section 7A of the European Union (Withdrawal) Act 2018) (“**Article 138**”);
 - d) WTO Agreement on Subsidies and Countervailing Measures (“**WTO ASCM**”);
 - e) Trade Agreements entered into between the UK and other countries; and
 - f) Relevant UK Government guidance.
- 2.4 From 1 January 2021, the Scheme operates under and satisfies as relevant and/or necessary:
 - (i) the principles in Article 366 of Title XI of the TCA;
 - (ii) Article 10 of the NI Protocol; and

(iii) Article 138.

3. GENERAL PROVISIONS

- 3.1 The Scheme runs from 23 December 2022 to 31 December 2025. SE may at any time extend the duration of the Scheme by amending the end date provided for in the Scheme, without limitation as to the number of extensions or total duration of the Scheme, provided that SE is satisfied that the Scheme remains both relevant and consistent with the legal requirements that apply to it. The anticipated amount budgeted by SE for the Scheme is £20 million. SE may at any time increase the total budget of the scheme, without limitation as to the number or aggregate value of such increases, provided that SE is satisfied that the budget increase is both required to meet the Scheme's objectives and consistent with the legal requirements that apply to it.
- 3.2 Terms used in this Scheme are defined in Appendix 2.
- 3.3 There is no automatic entitlement to support from SE and any funding is provided on a discretionary basis. Any award is subject to SE's assessment against the Scheme conditions, SE approval and acceptance of standard terms and conditions of grant. The amounts and subsidy intensities stated reflect the maximum potential levels of support that may be made available. There is no guarantee of funding under the Scheme and any funding which is made available may be made at lower intensities than those stated below.
- 3.4 Assistance may be offered through a range of instruments, products and services. Any award will be based on the merits of the proposed project. Requests for support will also be subject to an assessment of need for assistance, rigorous due diligence appraisal and internal approval by SE. Any business interested in assistance from SE under this Scheme should consult www.scottish-enterprise.com or contact us on 0300 013 3385 or by e-mail to enquiries@scotent.co.uk.
- 3.5 Subsidy may be awarded to enterprises of all sizes.
- 3.6 Applicants must submit a written application for assistance to SE before work on the project or activity has started, and the application must be approved in writing before work can commence on the project, unless otherwise agreed by SE. The application must include information on the applicant's name and size, a description of the project (including start and end date), the location of the project, a list of project costs and the type of subsidy (e.g. grant).
- 3.7 The applicant may be required to provide documentation to allow SE to assess whether the subsidy will achieve one or more of the following: a material increase in the scope of the project/activity; a material increase in the total amount spent by the prospective beneficiary on the project/activity; or a material increase in the speed of

completion. This is in order for SE to ensure that the subsidy will bring about a change in the economic behaviour of the beneficiary that is conducive to achieving objectives and that would not be achieved in the absence of subsidies being provided.

- 3.8 SE is required to provide annual returns to the Scottish and UK Governments detailing subsidy provided under this Scheme, and to maintain detailed records regarding individual subsidies provided under the Scheme. Such records must contain all information necessary to establish that the conditions of the Scheme are fulfilled, including information on the status of any economic actor whose entitlement to subsidy or a bonus depends on its status as an SME, information on the incentive effect of the subsidy, and information making it possible to establish the precise amount of eligible costs for the purpose of applying the rules of the Scheme. The information which must be provided to SE and/or retained by the subsidy recipient, and the length of time for which records must be maintained, will be set out in any offer of grant made under the Scheme. SE will maintain detailed records regarding subsidy provided under the Scheme and will provide reports to the Scottish and UK Governments on subsidies awarded under the Scheme. SE will maintain records with all information necessary to establish that the conditions laid down in the Scheme are fulfilled. Information to be provided to SE and/or retained by the subsidy recipient will be set out in any offer of grant.
- 3.9 All grants identified as being over the reporting threshold at any given time must be registered as specified by reporting requirements in force at the relevant time. Details of grants may also be published on SE's website.
- 3.10 SE may at any time modify any or all of the legislative references in this Scheme, provided that i) SE deems it necessary to ensure that appropriate recognition is given to any updated legislation applicable in the UK, and ii) SE is satisfied that such modification is both required to meet the Scheme's objectives and consistent with the legal requirements that apply to it.

4. TYPES OF SUBSIDY UNDER THE SCHEME

Note: The information below is intended to be a helpful summary of the types of subsidy which may be granted under the Scheme. It should be noted that the subsidy amounts stated reflect the maximum levels of support permitted under the Scheme at a single point in time and SE may set lower subsidy intensities for specific support, specific products or programmes created under the Scheme, taking into account the strategic rationale and market failure being addressed through the subsidy.

Section A: Investment subsidy to SMEs

- 4.1 Any investment subsidy to SMEs shall be provided in accordance with the conditions set out in this section.

- 4.2 The eligible costs shall be either or both of:
- costs of investment in tangible and intangible assets
 - estimated wage costs of employment directly created by the investment project, calculated over 2 years.
- 4.3 To be eligible, an investment shall be either:
- an investment in tangible or intangible assets relating to the setting-up of an establishment, the extension of an existing establishment, diversification of the output of an establishment into new additional products or a fundamental change in the overall production process of an existing establishment; or
 - the acquisition of assets belonging to an establishment, where the following conditions are fulfilled:
 - the establishment has closed or would have closed if it had not been purchased;
 - the assets are purchased from third parties unrelated to the buyer (except where a member of the family of the original owner, or an employee, takes over a small enterprise); and
 - the transaction takes place under market conditions.
- The sole acquisition of the shares of an economic actor shall not constitute investment.
- 4.4 The subsidy intensity shall not exceed:
- 20% for small enterprises; and
 - 10% for medium sized enterprises.
- 4.5 Employment directly created by the investment project:
- shall be created within three years of completion of the investment;
 - shall result in a net increase in the number of employees compared with the average over the previous 12 months; and
 - shall be maintained for at least 3 years from the date the post was first filled.
- 4.6 The maximum amount of subsidy that can be granted under this provision is £6.75 million per economic actor per investment project.

Section B: Subsidy for consultancy in favour of SMEs

- 4.7 Any subsidy for consultancy in favour of SMEs shall be provided in accordance with the conditions set out in this section.
- 4.8 Eligible costs shall be the costs of consultancy services provided by external consultants.
- 4.9 The subsidy intensity shall not exceed 50% of eligible costs.

- 4.10 The services concerned shall not be a continuous or periodic activity nor relate to an economic actor's usual operating costs (e.g. routine tax consultancy, legal services or advertising).
- 4.11 The maximum amount of subsidy that can be granted under this provision is £1.8 million per economic actor per project.

Section C: Subsidy to SMEs for participation in fairs

- 4.12 Any subsidy for SMEs for participation in fairs shall be provided in accordance with this section.
- 4.13 Eligible costs shall be the costs incurred for renting, setting up and running the stand for the participation of an undertaking in any particular fair or exhibition.
- 4.14 The subsidy intensity shall not exceed 50% of eligible costs
- 4.15 The maximum amount of subsidy that can be granted under this provision is £1.8 million per year.

Section D: Subsidy for cooperation costs incurred by SMEs participating in European Territorial Cooperation ("ETC") projects

- 4.16 Subsidy for cooperation costs incurred by SMEs participating in ETC projects shall be provided in accordance with this section.
- 4.17 Eligible costs shall be:
- costs for organisational cooperation including costs of staff and offices to the extent linked to the ETC project;
 - costs of advisory and support services linked to cooperation and delivered by external consultants and service providers (so long as not of a continuous or periodic nature and not related to usual operating costs); and
 - travel expenses, costs of equipment and investment expenditure directly related to the ETC project, as well as depreciation of tools and equipment used in the project.
- 4.18 The subsidy intensity shall not exceed 50% of eligible costs.
- 4.19 The maximum amount of subsidy that can be granted under this provision is £1.8 million per economic actor per project.

Section E: Risk finance subsidy

- 4.20 Any risk finance subsidy shall be provided in accordance with Article 21 of Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty as published in the Official Journal of the European Union on

26 June 2014 as amended by Commission Regulation (EU) 2021/1237 of 23 July 2021.

- 4.21 Eligible economic actors shall be those which at the time of the initial risk finance investment are unlisted SMEs and fulfil at least one of the following conditions:
- they have not been operating in any market;
 - they have been operating in any market for less than 7 years following their first commercial sale; or
 - they require an initial risk finance investment which, based on a business plan prepared in view of entering a new product or geographical market, is higher than 50 % of their average annual turnover in the preceding 5 years.
- 4.22 Subsidy to eligible economic actors may be provided through equity, quasi-equity investments, loans, guarantees or a mix thereof.
- 4.23 The maximum subsidy amount is £13.5 million per eligible economic actor.

Section F: Subsidy for start ups

- 4.24 Any subsidy for start-ups shall be provided in accordance with this section.
- 4.25 Eligible economic actors shall be any unlisted small enterprise up to five years following its registration, which fulfils the following conditions:
- it has not taken over the activity of another enterprise;
 - it has not yet distributed profits; and
 - it has not been formed through a merger (although enterprises formed through a merger between economic actors eligible for subsidy under this section shall also be considered eligible up to five years from the date of registration of the oldest enterprise participating in the merger).
- 4.26 For eligible undertakings that are not subject to registration, the five year eligibility period may be considered to start from the moment when the enterprise either starts its economic activity or is liable to tax for its economic activity.
- 4.27 The subsidy shall take the form of:
- loans with interest rates which are not conform with market conditions, with a duration of 10 years and up to a maximum nominal amount of £900,000, or £1.35 million for economic actors established in an assisted area as set out in Appendix 1. For loans with a duration comprised between 5 and 10 years the maximum amounts may be adjusted by multiplying the amounts above by the ratio between 10 years and the actual duration of the loan. For loans with a duration of less than 5 years, the maximum amount shall be the same as for loans with a duration of 5 years. This is demonstrated as follows:

Duration of loan	Maximum nominal amount in non-assisted area	Maximum nominal amount in assisted area as set out in Appendix 1
10	£900,000	£1,350,000
9	£1,000,000	£1,500,000
8	£1,125,000	£1,687,500
7	£1,285,714	£1,928,571
6	£1,500,000	£2,250,000
5	£1,800,000	£2,700,000
4	£1,800,000	£2,700,000
3	£1,800,000	£2,700,000
2	£1,800,000	£2,700,000
1	£1,800,000	£2,700,000

- guarantees with premiums which are not conform with market conditions, with a duration of 10 years and up to maximum of £1.35 million of amount guaranteed, or £2.025 million for economic actors established in an assisted area as set out in Appendix 1. For guarantees with a duration comprised between 5 and 10 years the maximum amount guaranteed amounts may be adjusted by multiplying the amounts above by the ratio between 10 years and the actual duration of the guarantee. For guarantees with a duration of less than 5 years, the maximum amount guaranteed shall be the same as for guarantees with a duration of 5 years. The guarantee shall not exceed 80 % of the underlying loan.
- grants, including equity or quasi equity investment, interests rate and guarantee premium reductions up to £360,000 gross grant equivalent or £540,000 for economic actors established in an assisted area as set out in Appendix 1.

4.28 A beneficiary can receive support through a mix of the subsidy instruments listed above, provided that the proportion of the amount granted through one subsidy instrument, calculated on the basis of the maximum subsidy amount allowed for that instrument, is taken into account in order to determine the residual proportion of the maximum subsidy amount allowed for the other instruments forming part of such a mixed instrument.

4.29 For small and innovative enterprises, the maximum amounts set out above may be doubled.

Section G: Subsidy to alternative trading platforms specialised in SMEs

- 4.30 Any subsidy for alternative trading platforms specialised in SMEs shall be provided in accordance with this section.
- 4.31 Where the platform operator is a small enterprise, the subsidy measure may take the form of start-up subsidy to the platform operator, in which case the conditions laid down in Section F above shall apply.

Section H: Subsidy for scouting costs

- 4.32 Any subsidy for scouting costs shall be provided in accordance with this section.
- 4.33 Eligible costs are the costs of initial screening and formal due diligence undertaken by managers of financial intermediaries or investors to identify eligible economic actors for risk finance subsidy or subsidy for start ups within the meaning of the Scheme.
- 4.34 The subsidy intensity shall not exceed 50% of eligible costs.

5. EXCLUSIONS

Export subsidy

- 5.1 The Scheme does not apply to:
- subsidies that are contingent in law or in fact, whether solely or as one of several other conditions, upon export performance relating to goods or services; or
 - subsidies contingent, whether solely or as one of several other conditions, upon the use of domestic over imported goods or services.

Sectoral

- 5.2 The Scheme applies to all sectors of the economy, with the exception of:
- activities in the fishery and aquaculture sector, as covered by Regulation (EU) No 1379/2013 of the European Parliament and of the Council of 11 December 2013 on the common organisation of the markets in fishery and aquaculture products, amending Council regulations (EC) 1184/2006 and (EC) 1224/2009 and repealing Council regulation (EC) 104/2000, as amended from time to time (*however note this restriction does not apply to subsidy for SMEs' access to finance provisions of the Scheme*);
 - activities in the primary agricultural production sector (*however note this restriction does not apply to subsidy for consultancy in favour of SMEs or risk finance subsidy*);
 - activities in the processing and marketing of agricultural products where subsidy is aimed at directly influencing the price or quantity of primary production (i.e. where the amount of the subsidy is fixed on the basis of the price or quantity of such products purchased from primary producers or put on the market by the

undertakings concerned or the subsidy is conditional on being partly or entirely passed on to primary producers); and

- subsidy to facilitate the closure of uncompetitive coal mines.

Recovery of illegal subsidy / Ailing or insolvent economic actors

5.3 The following are explicitly excluded from the Scheme:

- payment of subsidy in favour of an economic actor which is subject to an outstanding recovery order following i) a previous Commission decision declaring an aid illegal and incompatible with the common market or ii) an order requiring recovery of subsidy issued by any domestic UK court or tribunal; and
- subsidies for restructuring an ailing or insolvent economic actor without a credible plan being in place to return the economic actor to viability. For the purposes of this paragraph, an ailing or insolvent economic actor is one that would almost certainly go out of business in the short to medium term without the subsidy.

6. CUMULATION OF SUBSIDY

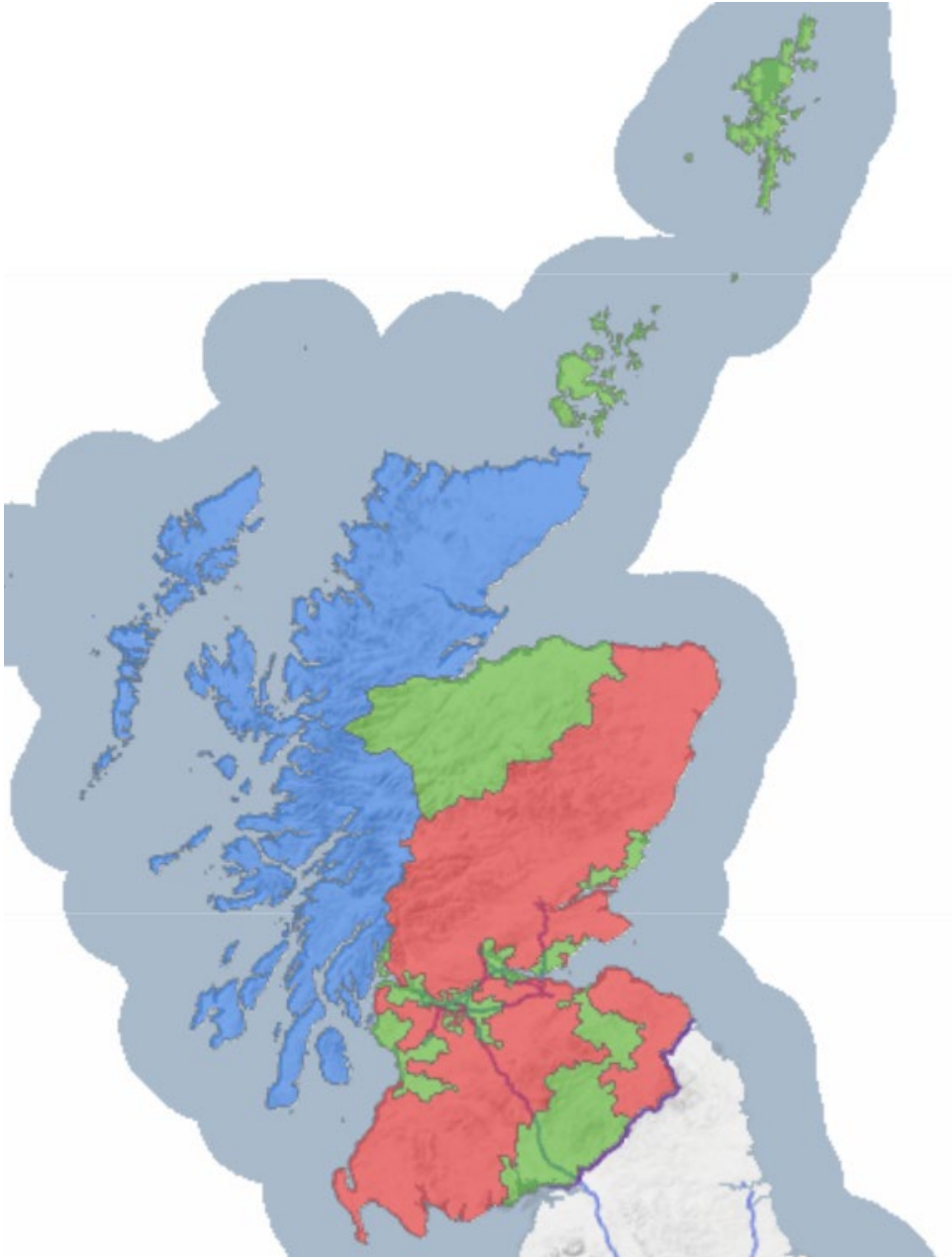
6.1 Subsidy provided under the Scheme may be cumulated with other permitted subsidy provided through this or another SE scheme (or another registered scheme) as long as those subsidy measures concern different identifiable eligible costs.

6.2 Subsidy provided under this Scheme may only be cumulated with other permitted subsidy, where, in respect of the same totally or partially overlapping eligible costs, such cumulation does not result in the highest permissible subsidy intensity or subsidy amount under this Scheme being exceeded.

6.3 All sources of public funding shall be taken into account when considering cumulation and in determining that the relevant subsidy intensity or subsidy amount is not exceeded.

APPENDIX 1

ASSISTED AREAS MAP



The map above shows in green and blue the areas of Scotland which are assisted areas. An interactive version of the map can be accessed at [Regional Selective Assistance 2022-2025 Map \(arcgis.com\)](https://arcgis.com).

Red areas are not eligible for increases.

APPENDIX 2

DEFINITIONS

‘agricultural product’ means the products listed in Annex I to the Treaty, except fishery and aquaculture products listed in Annex I to Regulation (EU) No 1379/2013 of the European Parliament and of the Council of 11 December 2013, both as amended from time to time;

‘Article 138’ means Article 138 of the UK-EU Withdrawal Agreement agreed on 17 October 2019 in respect of EU Structural Funds (as implemented by section 7A of the European Union (Withdrawal) Act 2018)

‘assisted areas’ means areas identified as green areas and blue areas in Appendix 1;

‘coal’ means high-grade, medium-grade and low-grade category A and B coal within the meaning of the international codification system for coal established by the United Nations Economic Commission for Europe and clarified in the Council decision of 10 December 2010 on State aid to facilitate the closure of uncompetitive coal mines;

‘date of granting the subsidy’ means the date when the legal right to receive the subsidy is conferred on the beneficiary;

‘dedicated infrastructure’ means infrastructure that is built for ex-ante identifiable economic actor(s) and tailored to their needs.

‘economic actor’ means 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;

‘employment directly created by an investment project’ means employment concerning the activity to which the investment relates, including employment created following an increase in the utilisation rate of the capacity created by the investment;

‘energy infrastructure’ means any physical equipment or facility which is located within the United Kingdom or linking the United Kingdom to one or more third countries and falling under the following categories:

(a) concerning electricity:

(i) infrastructure for transmission, as defined in Article 2(3) by Directive 2009/72/EC of 13 July 2009 concerning common rules for internal market in electricity;

(ii) infrastructure for distribution, as defined in Article 2(5) by Directive 2009/72/EC;

(iii) electricity storage, defined as facilities used for storing electricity on a permanent or temporary basis in above-ground or underground infrastructure or geological sites,

provided they are directly connected to high-voltage transmission lines designed for a voltage of 110 kV or more;

(iv) any equipment or installation essential for the systems defined in points (i) to (iii) to operate safely, securely and efficiently, including protection, monitoring and control systems at all voltage levels and substations; and L 187/28 Official Journal of the European Union EN 26.6.2014 OJ L 283, 31.10.2003, p. 51. OJ L 211, 14.8.2009, p. 55.

(v) smart grids, defined as any equipment, line, cable or installation, both at transmission and low and medium voltage distribution level, aiming at two-way digital communication, real-time or close to realtime, interactive and intelligent monitoring and management of electricity generation, transmission, distribution and consumption within an electricity network in view of developing a network efficiently integrating the behaviour and actions of all users connected to it — generators, consumers and those that do both — in order to ensure an economically efficient, sustainable electricity system with low losses and high quality and security of supply and safety;

(b) concerning gas:

(i) transmission and distribution pipelines for the transport of natural gas and bio gas that form part of a network, excluding high-pressure pipelines used for upstream distribution of natural gas;

(ii) underground storage facilities connected to the high-pressure gas pipelines mentioned in point (i);

(iii) reception, storage and regasification or decompression facilities for liquefied natural gas ('LNG') or compressed natural gas ('CNG'); and

(iv) any equipment or installation essential for the system to operate safely, securely and efficiently or to enable bi-directional capacity, including compressor stations;

(c) concerning oil:

(i) pipelines used to transport crude oil;

(ii) pumping stations and storage facilities necessary for the operation of crude oil pipelines; and

(iii) any equipment or installation essential for the system in question to operate properly, securely and efficiently, including protection, monitoring and control systems and reverse-flow devices;

(d) concerning CO₂: networks of pipelines, including associated booster stations, for the transport of CO₂ to storage sites, with the aim to inject the CO₂ in suitable underground geological formations for permanent storage;

'enterprise' has the same meaning as 'economic actor';

'intangible assets' means assets that do not have a physical or financial embodiment such as patents, licences, know-how or other intellectual property;

'initial investment' means: (a) an investment in tangible and intangible assets related to the setting-up of a new establishment, extension of the capacity of an existing establishment, diversification of the output of an establishment into products not

previously produced in the establishment or a fundamental change in the overall production process of an existing establishment; or (b) an acquisition of assets belonging to an establishment that has closed or would have closed had it not been purchased, and is bought by an **investor** unrelated to the seller and excludes sole acquisition of the shares of an economic actor;

‘initial investment in favour of new economic activity’ means: (a) an investment in tangible and intangible assets related to the setting up of a new establishment, or to the diversification of the activity of an establishment, under the condition that the new activity is not the same or a similar activity to the activity previously performed in the establishment; (b) the acquisition of the assets belonging to an establishment that has closed or would have closed had it not been purchased, and is bought by an investor unrelated to the seller, under the condition that the new activity to be performed using the acquired assets is not the same or a similar activity to the activity performed in the establishment prior to the acquisition;

‘innovative enterprise’ means an enterprise: (a) that can demonstrate, by means of an evaluation carried out by an external expert that it will in the foreseeable future develop products, services or processes which are new or substantially improved compared to the state of the art in its industry, and which carry a risk of technological or industrial failure, or (b) the research and development costs of which represent at least 10% of its total operating costs in at least one of the three years preceding the granting of the subsidy or, in the case of a start-up enterprise without any financial history, in the audit of its current fiscal period, as certified by an external auditor;

‘large economic actors’ means economic actors not fulfilling the criteria in Appendix 3 to be classified as a small or medium sized economic actor;

‘net increase in the number of employees’ means a net increase in the number of employees in the establishment concerned compared with the average over a given period in time, and that any posts lost during that period must therefore be deducted and that the number of persons employed full-time, part-time and seasonal has to be considered with their annual labour unit fractions;

‘NI Protocol’ means the Northern Ireland Protocol to the UK-EU Withdrawal Agreement agreed on 17 October 2019 (as implemented by section 7A of the European Union (Withdrawal) Act 2018);

‘operating profit’ means the difference between the discounted revenues and the discounted operating costs over the economic lifetime of the investment, where this difference is positive. The operating costs include costs such as personnel costs, materials, contracted services, communications, energy, maintenance, rent, administration, but exclude depreciation charges and the costs of financing if these have been covered by investment subsidy. Discounting revenues and operating costs using an appropriate discount rate allows a reasonable profit to be made.

‘marketing of agricultural products’ means holding or display with a view to sale, offering for sale, delivery or any other manner of placing on the market, except the first sale by a primary producer to resellers or processors and any activity preparing a product for such first sale; a sale by a primary producer to final consumers shall be considered to be marketing if it takes place in separate premises reserved for that purpose;

‘processing of agricultural products’ means any operation on an agricultural product resulting in a product which is also an agricultural product, except on-farm activities necessary for preparing an animal or plant product for the first sale;

‘regional investment subsidy’ means regional subsidy granted for an initial investment or an initial investment in favour of a new economic activity;

‘relocation’ means a transfer of the same or similar activity or part thereof from an establishment in a contracting party to the EEA Agreement (initial establishment) to the establishment in which the investment in receipt of subsidy takes place (subsidised establishment). There is a transfer if the product or service in the initial and in the subsidised establishments serves at least partly the same purposes and meets the demands or needs of the same type of customers and jobs are lost in the same or similar activity in one of the initial establishments of the beneficiary in the EEA;

‘SE’ means Scottish Enterprise, established under the Enterprise and New Towns (Scotland) Act 1990;

‘small and medium sized economic actors’ or ‘SMEs’ means economic actors fulfilling the criteria in Appendix 3 to be classified as either a small or a medium sized economic actor;

‘start of works’ means the earlier of either the start of construction works relating to the investment, or the first legally binding commitment to order equipment or any other commitment that makes the investment irreversible. Buying land and preparatory work such as obtaining permits and conducting feasibility studies are not considered start of works. For take-overs, ‘start of works’ means the moment of acquiring the assets directly linked to the acquired establishment;

‘steel sector’ means all activities related to the production of one or more of the following products:

- a. pig iron and ferro-alloys: pig iron for steelmaking, foundry and other pig iron, spiegeleisen and high-carbon ferro-manganese, not including other ferro-alloys;
- b. crude and semi-finished products of iron, ordinary steel or special steel: liquid steel whether or not cast into ingots, including ingots for forging semi-finished products: blooms, billets and slabs; sheet bars and tinplate bars; hot-rolled wide coils, with the exception of production of liquid steel for castings from small and medium-sized foundries;

- c. hot finished products of iron, ordinary steel or special steel: rails, sleepers, fishplates, soleplates, joists, heavy sections of 80 mm and over, sheet piling, bars and sections of less than 80 mm and flats of less than 150 mm, wire rod, tube rounds and squares, hot-rolled hoop and strip (including tube strip), hot-rolled sheet (coated or uncoated), plates and sheets of 3 mm thickness and over, universal plates of 150 mm and over, with the exception of wire and wire products, bright bars and iron castings;
- d. cold finished products: tinplate, terneplate, blackplate, galvanised sheets, other coated sheets, cold-rolled sheets, electrical sheets and strip for tinplate, cold-rolled plate, in coil and in strip;
- e. tubes: all seamless steel tubes, welded steel tubes with a diameter of over 406.4 mm;

‘subsidy’ means financial assistance which:

1. is given directly or indirectly from public resources by a public authority, including:
 - a. a direct or contingent transfer of funds such as direct grants, loans or loan guarantees;
 - b. the forgoing of revenue that is otherwise due; or
 - c. the provision of goods or services, or the purchase of goods or services;
2. confers an economic advantage on one or more economic actors:
3. is specific insofar as it benefits, as a matter of law or fact, certain economic actors over others in relation to the production of certain goods or services; and
4. has, or could have, an effect on trade or investment between the United Kingdom and a country or territory outside the United Kingdom.

‘subsidy intensity’ means the gross subsidy amount expressed as a percentage of the eligible costs, before any deduction of tax or other charge;

‘synthetic fibres sector’ means:

- a. extrusion/texturisation of all generic types of fibre and yarn based on polyester, polyamide, acrylic or polypropylene, irrespective of their end-uses; or
- b. polymerisation (including polycondensation) where it is integrated with extrusion in terms of the machinery used; or
- c. any ancillary process linked to the contemporaneous installation of extrusion/texturisation capacity by the prospective beneficiary or by another economic actor in the group to which it belongs and which, in the specific business activity concerned, is normally integrated with such capacity in terms of the machinery used;

‘tangible assets’ means assets consisting of land, buildings and plant, machinery and equipment;

‘TCA’ means the UK-EU Trade and Cooperation Agreement signed on 30 December 2020 (as implemented by section 29 of the European Union (Future Relationship) Act 2020)

“the map” means the map identifying assisted areas set out in Appendix 1 to this Scheme;

‘the same or a similar activity’ means an activity falling under the same class (four-digit numerical code) of the NACE Rev. 2 statistical classification of economic activities as laid down in Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC Regulations on specific statistical domains, as amended from time to time;

‘transport sector’ means the transport of passengers by aircraft, maritime transport, road or rail and by inland waterway or freight transport services for hire or reward; more specifically, the ‘transport sector’ means the following activities in terms of NACE Rev. 2:

- a. NACE 49: Land transport and transport via pipelines, excluding NACE 49.32 Taxi operation, 49.42 Removal services, 49.5 Transport via pipeline;
- b. NACE 50: Water transport;
- c. NACE 51: Air transport, excluding NACE 51.22 Space transport.

‘Treaty’ means the Treaty on the Functioning of the European Union;

‘tourism activity’ means the following activities in terms of NACE Rev. 2:

- (a) NACE 55:Accommodation;
- (b) NACE 56: Food and beverage service activities; 26.6.2014 EN Official Journal of the European Union L 187/21;
- (c) NACE 79: Travel agency, tour operator reservation service and related activities;
- (d) NACE 90: Creative, arts and entertainment activities;
- (e) NACE 91: Libraries, archives, museums and other cultural activities;
- (f) NACE 93: Sports activities and amusement and recreation activities; **and**

‘wage cost’ means the total amount actually payable by the beneficiary of the subsidy in respect of the employment concerned, comprising over a defined period of time the gross wage before tax and compulsory contributions such as social security, child care and parent care costs.

APPENDIX 3

SME DEFINITION

Section A: Economic actors

- 1.1 An economic actor is considered to be any entity engaged in an economic activity, irrespective of its legal form. This includes, in particular, self-employed persons and family businesses engaged in craft or other activities, and partnerships or associations regularly engaged in an economic activity.

Section B: Staff headcount and financial thresholds determining economic actor categories

- 2.1 The category of micro, small and medium-sized economic actors ('SMEs') is made up of economic actors which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million.
- 2.2 Within the SME category, a small economic actor is defined as an economic actor which employs fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 10 million.
- 2.3 Within the SME category, a micro-economic actor is defined as an economic actor which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million.

Section C: Types of economic actor taken into consideration in calculating staff numbers and financial amounts

- 3.1 An 'autonomous economic actor' is any economic actor which is not classified as a partner economic actor within the meaning of paragraph 3.2 or as a linked economic actor within the meaning of paragraph 3.3.
- 3.2 'Partner economic actors' are all economic actors which are not classified as linked economic actors within the meaning of paragraph 3.3 and between which there is the following relationship: an economic actor (upstream economic actor) holds, either solely or jointly with one or more linked economic actor within the meaning of paragraph 3.3, 25 % or more of the capital or voting rights of another economic actor (downstream economic actor).

However, an economic actor may be ranked as autonomous, and thus as not having any partner economic actors, even if this 25 % threshold is reached or exceeded by the following investors, provided that those investors are not linked, within the meaning of paragraph 3.3, either individually or jointly to the economic actor in question:

- a) public investment corporations, venture capital companies, individuals or groups of individuals with a regular venture capital investment activity who invest equity capital in unquoted businesses (business angels), provided the total investment of those business angels in the same economic actor is less than EUR 1 250 000;
- b) universities or non-profit research centres;
- c) institutional investors, including regional development funds;
- d) autonomous local authorities with an annual budget of less than EUR 10 million and less than 5 000 inhabitants.

3.3 'Linked economic actors' are economic actors which have any of the following relationships with each other:

- a) an economic actor has a majority of the shareholders' or members' voting rights in another economic actor;
- b) an economic actor has the right to appoint or remove a majority of the members of the administrative, management or supervisory body of another economic actor;
- c) an economic actor has the right to exercise a dominant influence over another economic actor pursuant to a contract entered into with that economic actor or to a provision in its memorandum or articles of association;
- d) an economic actor, which is a shareholder in or member of another economic actor, controls alone, pursuant to an agreement with other shareholders in or members of that economic actor, a majority of shareholders' or members' voting rights in that economic actor.

There is a presumption that no dominant influence exists if the investors listed in the second subparagraph of paragraph 3.2 are not involving themselves directly or indirectly in the management of the economic actor in question, without prejudice to their rights as shareholders.

Economic actors having any of the relationships described in the first subparagraph of paragraph 3.2 through one or more other economic actors, or any one of the investors mentioned in paragraph 3.2, are also considered to be linked.

Economic actors which have one or other of such relationships through a natural person or group of natural persons acting jointly are also considered linked

economic actors if they engage in their activity or in part of their activity in the same relevant market or in adjacent markets.

An 'adjacent market' is considered to be the market for a product or service situated directly upstream or downstream of the relevant market.

- 3.4 Except in the cases set out in paragraph 3.2, second subparagraph, an economic actor cannot be considered an SME if 25 % or more of the capital or voting rights are directly or indirectly controlled, jointly or individually, by one or more public bodies.
- 3.5 Economic actors may make a declaration of status as an autonomous economic actor, partner economic actor or linked economic actor, including the data regarding the thresholds set out in Section B. The declaration may be made even if the capital is spread in such a way that it is not possible to determine exactly by whom it is held, in which case the economic actor may declare in good faith that it can legitimately presume that it is not owned as to 25 % or more by one economic actor or jointly by economic actors linked to one another.

Section D: Data used for the staff headcount and the financial amounts and reference period

- 4.1 The data to apply to the headcount of staff and the financial amounts are those relating to the latest approved accounting period and calculated on an annual basis. They are taken into account from the date of closure of the accounts. The amount selected for the turnover is calculated excluding value added tax (VAT) and other indirect taxes.
- 4.2 Where, at the date of closure of the accounts, an economic actor finds that, on an annual basis, it has exceeded or fallen below the headcount or financial thresholds stated in Section B, this will not result in the loss or acquisition of the status of medium-sized, small or micro- economic actor unless those thresholds are exceeded over two consecutive accounting periods.
- 4.3 In the case of newly-established economic actors whose accounts have not yet been approved, the data to apply is to be derived from a bona fide estimate made in the course of the financial year.

Section E: Staff headcount

- 5.1 The headcount corresponds to the number of annual work units (AWU), i.e. the number of persons who worked full-time within the economic actor in question or on its behalf during the entire reference year under consideration. The work of persons who have not worked the full year, the work of those who have worked part-time, regardless of duration, and the work of seasonal workers are counted as fractions of AWU. The staff consists of:
- a) employees;
 - b) persons working for the economic actor being subordinated to it and deemed to be employees under national law;
 - c) owner-managers;
 - d) partners engaging in a regular activity in the economic actor and benefiting from financial advantages from the economic actor.

Apprentices or students engaged in vocational training with an apprenticeship or vocational training contract are not included as staff. The duration of maternity or parental leaves is not counted.

Section F: Establishing the data of an economic actor

- 6.1 In the case of an autonomous economic actor, the data, including the number of staff, are determined exclusively on the basis of the accounts of that economic actor.
- 6.2 The data, including the headcount, of an economic actor having partner economic actors or linked economic actors are determined on the basis of the accounts and other data of the economic actor or, where they exist, the consolidated accounts of the economic actor, or the consolidated accounts in which the economic actor is included through consolidation.

To the data referred to in the first subparagraph are added the data of any partner economic actor of the economic actor in question situated immediately upstream or downstream from it. Aggregation is proportional to the percentage interest in the capital or voting rights (whichever is greater). In the case of cross-holdings, the greater percentage applies.

To the data referred to in the first and second subparagraph are added 100 % of the data of any economic actor, which is linked directly or indirectly to the economic actor in question, where the data were not already included through consolidation in the accounts.

- 6.3 For the application of paragraph 6.2, the data of the partner economic actors of the economic actor in question are derived from their accounts and their other data, consolidated if they exist. To these are added 100 % of the data of economic actors

which are linked to these partner economic actors, unless their accounts data are already included through consolidation.

For the application of the same paragraph 6.2, the data of the economic actors which are linked to the economic actor in question are to be derived from their accounts and their other data, consolidated if they exist. To these are added, pro rata, the data of any possible partner economic actor of that linked economic actor, situated immediately upstream or downstream from it, unless it has already been included in the consolidated accounts with a percentage at least proportional to the percentage identified under the second subparagraph of paragraph 6.2.

- 6.4 Where in the consolidated accounts no staff data appear for a given economic actor, staff figures are calculated by aggregating proportionally the data from its partner economic actors and by adding the data from the economic actors to which the economic actor in question is linked.

Note: SE may at any time modify the content of this Appendix, provided that SE is satisfied that such modification is both required to meet the Scheme's objectives and consistent with the legal requirements that apply to it.