



BRITISH HORSERACING GRANT SCHEME

STATE AID GUIDANCE

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Part 1 - Introduction

1. EU State aid law is relevant to any distribution of funds from the Tote Sale Proceeds, because the funds are treated as belonging to the UK Government. State aid law prohibits any financial assistance by an EU Member State Government that may distort competition by favouring certain businesses and may affect trade between EU Member States (even to a limited degree), unless such financial assistance has been pre-approved by the European Commission or benefits from a special exemption.
2. The Department for Culture, Media and Sport has made it a condition of releasing any funds for allocation by the Awards Committee to a project that such allocation is permitted under EU State aid law. In almost all cases this will require that the allocation falls within a type of aid that benefits from a special exemption, specifically, that it is treated as "de minimis" (too small to affect competition significantly) under EU Commission Regulation No 1407/2013 (the "**De Minimis Regulation**") or that it is the type of aid automatically exempted by the EU general block exemption for State aid (the "**GBE Regulation**")¹.
3. The purpose of this document is to describe the categories of financial assistance that benefit from these special exemptions and are likely to be relevant to applicants for awards from the Tote Sale Proceeds.
4. Other types of financial assistance may be suitable for pre-approval by the European Commission following a notification by the UK Government, because, for example, they promote culture or heritage conservation or facilitate the development of certain economic activities. However, such cases are likely to be very rare and are not dealt with in this document. If an applicant for financial assistance from the Tote Sale Proceeds considers that it would be suitable for such pre-approval by the European Commission (or that it would benefit from a special exemption not described in this document), the applicant should present in its application detailed arguments, including legal analysis, to demonstrate why the financial assistance would be approved by the European Commission or which exemption is applicable, and (if applicable) why the applicant considers that the UK Government should exercise its discretion to make a notification for pre-approval.

¹ The De Minimis Regulation is available at http://ec.europa.eu/competition/state_aid/legislation/de_minimis_regulation_en.pdf and the GBE Regulation is available at http://ec.europa.eu/competition/state_aid/legislation/gber_regulation_en.pdf.

5. **Part 2** of this document sets out the conditions that must be satisfied by the following categories of financial assistance in order to be automatically exempt under EU State aid rules:

Section	Category of Financial Assistance
A.	"De minimis" aid
B.	Aid for small and medium-sized enterprises
C.	Training aid
D.	Aid for research and development and innovation
E.	Employment aid
F.	Aid for culture and heritage conservation

6. For each category, Part 2 indicates the relevant types of aid (including the relevant provisions of the De Minimis Regulation or the GBE Regulation); the maximum allowable aid; and the permitted aid intensity (see below). Note that other exemptions are available, but Part 2 lists those most likely to be relevant to applicants for awards from the Tote Sale Proceeds.
7. For a number of types of aid, different thresholds apply depending on whether or not the applicant is a small or medium-sized enterprise ("**SME**"). As defined in Annex I to the GBE Regulation, an SME is a business that employs fewer than 250 persons and has an annual turnover not exceeding €50 million and/or an annual balance sheet not exceeding €43 million. A **Small enterprise** is an SME that employs fewer than 50 persons and has an annual turnover and/or an annual balance sheet not exceeding €10 million; a **Medium enterprise** is an SME that is not a Small enterprise. A **Large enterprise** is any business that is not an SME. Two other terms used in Part 2 are as follows:

- **Eligible costs:** these are the costs that may be defrayed by the aid granted to an applicant – the specific types of eligible costs differ for each type of aid;
 - **Aid intensity:** this refers to the percentage of Eligible costs that may be defrayed by the aid granted to an applicant.
8. For more detail on defined terms and applicable restrictions, please refer to the De Minimis Regulation or the GBE Regulation as applicable.
9. Two other issues are also of general relevance:
- **Exchange rates:** The figures for maximum allowable aid are expressed in Part 3 in Euros. The applicable Sterling equivalent for an award must be calculated by reference to the official EU exchange rate on the day on which an award is granted. Indicative Sterling equivalents for the key financial thresholds are set out in **Part 3** of this document, applying the exchange rate on 7 August 2015.
 - **Cumulation:** Article 8 of the GBE Regulation provides that in determining whether aid thresholds have been exceeded, all aid from public authorities (including de minimis aid) must be taken account. However, aid measures in relation to different eligible costs are treated separately for these purposes, so that a business can receive two separate aid payments in relation to two distinct sets of eligible costs even if the combined total exceeds the relevant threshold.
10. This document is intended only as general guidance to the Grant Scheme Administrator, which may seek specific legal advice with respect to the effect of State aid law on any specific application. This document does not constitute legal advice and no liability is accepted by the Grant Scheme Administrator or by its legal advisors in relation to the contents of this document to any third party, including (without limitation) any applicant or prospective applicant for allocation of funds from the Tote Sale Proceeds, who should as appropriate seek their own professional legal advice.

Part 2 – Categories of financial assistance

A. "De minimis" aid

No.	Type of aid	Maximum allowable aid	Eligible costs	Aid intensity	Comments
A1	Small amounts of financial assistance <i>De Minimis Regulation, Articles 1 and 3</i>	€200,000 over the 3 year fiscal period ending in the year in which the aid is paid	Any costs	Not applicable	The €200,000 ceiling includes all other public assistance granted to the applicant Excludes: <ul style="list-style-type: none"> • export aid • aid contingent on the use of UK over imported goods • aid to businesses active in the breeding or in some cases marketing of live horses

B. Aid for small and medium-sized enterprises

Note: In addition to the specific types of aid described below, SMEs also benefit from favourable terms in relation to other types of aid, as set out in other categories in this document

No.	Type of aid	Maximum allowable aid	Eligible costs	Aid intensity	Comments
B1	Financial assistance to SMEs for investment <i>GBE Regulation, Article 17</i>	For each business and each project €7.5 million	Costs of an SME for investment in tangible and intangible assets	Small enterprises: 20% Medium enterprises 10%	
B2	Financial assistance to SMEs for consultancy <i>GBE Regulation, Article 19</i>	For each business and each project €2 million	Costs of services provided by outside consultants to an SME, excluding usual operating costs such as tax consultancy, regular legal services or advertising	50%	
B3	Financial assistance to SMEs for participation in fairs <i>GBE Regulation, Article 27</i>	For each business and each project €2 million	Costs of an SME for renting, setting up and running the stand for the business's first participation at a fair or exhibition	50%	
B4	Financial assistance to SMEs in relation to	For each business and	All costs of SME to obtain, validate and defend patents and other intangible assets	50% 100% for innovation advisory and support	

No.	Type of aid	Maximum allowable aid	Eligible costs	Aid intensity	Comments
	obtaining intellectual property rights <i>GBE Regulation, Article 28</i>	each project €5 million	Costs of secondments of highly qualified personnel from a research organisation or large enterprise to an SME working on research, development and innovation activities Costs of innovation advisory and support services	services (up to €200,000 in any 3 year period)	

C. Training aid

No.	Type of aid	Maximum allowable aid	Eligible costs	Aid intensity	Comments
C1	Financial assistance for costs of training employees <i>GBE Regulation, Article 31</i>	€2 million per training project	Trainers' personnel costs Trainers' and trainees' travel expenses including accommodation Other current expenses directly related to the project Depreciation of tools and equipment, to the extent that they are used exclusively for the project Cost of guidance and counselling services with regard to the project Trainees' personnel costs and general indirect costs up to the amount of the total of the other eligible costs set out above	Non-SMEs: 50% Different intensities apply to "Specific training" and to "General training" and. For all others the standard rate applies. Small enterprises: 70% (80% if beneficiaries are disadvantaged or disabled workers) Medium enterprises or training for disadvantaged or disabled workers: 60% (70% if beneficiaries are disadvantaged or disabled workers)	"Disadvantaged" and "disabled" workers are defined in Section E below

D. Aid for research and development and innovation

No.	Type of aid	Maximum allowable aid	Eligible costs	Aid intensity	Comments
D1	Financial assistance for research and development projects <i>GBE Regulation, Article 25</i>	For each business and each project: Fundamental research: €40 million Industrial research: €20 million Others: €15 million	Standard R&D costs	For each business and each project: Fundamental research: 100% Industrial research: Small enterprises 70%, Medium enterprises 60%, others 50%* Experimental development: Small enterprises 45%, Medium enterprises 35%, others 25%* *May increase by 10% to 20% (to maximum 80%) in case of certain collaborations or if results widely disseminated	"Fundamental research" means experimental or theoretical work undertaken primarily to acquire new knowledge, without any direct practical application or use in view "Industrial research" means research aimed at the acquisition of new knowledge and skills for developing new products, processes or services or for bringing about a significant improvement in existing products, processes or services. "Experimental development" means acquiring, combining, shaping and using existing scientific, technological, business and other relevant knowledge and skills for the purpose of producing plans and arrangements or

No.	Type of aid	Maximum allowable aid	Eligible costs	Aid intensity	Comments
D2	Financial assistance for technical feasibility studies <i>GBE Regulation, Article 25</i>	For each business and each project: €7.5 million	Costs of the study	Eligible costs: SMEs 70%, others 60%	designs for new, altered or improved products, processes or services. Standard R&D costs (to the extent employed on the research project) are as follows:
D3	Financial assistance for research and development concerning the breeding of horses <i>GBE Regulation, Article 30</i>	For each business and each project: Fundamental research: €40 million Industrial research: €20 million Others: €15 million	Standard R&D costs	100%, provided information on the research and its goal and the results of the research are published on the internet (for at least 5 years in the case of results)	<ul style="list-style-type: none"> • personnel costs • costs of instruments and equipment • costs for buildings and land • cost of contractual research, technical knowledge and patents bought or licensed from outside sources at market prices • costs of consultancy and equivalent services used exclusively for the research activity

No.	Type of aid	Maximum allowable aid	Eligible costs	Aid intensity	Comments
					<ul style="list-style-type: none"> • additional overheads incurred directly as a result of the research project • other operating costs

E. **Employment aid**

No.	Type of aid	Maximum allowable aid	Eligible costs	Aid intensity	Comments
E1	Financial assistance for recruitment of disadvantaged workers <i>GBE Regulation, Article 32</i>	€5 million	Wage costs for period of employment up to 12 months after recruitment (24 months if a worker is severely disadvantaged)	75%	A "disadvantaged worker" means any person who: <ul style="list-style-type: none"> • has not been in regular paid employment for the previous 6 months; or • has not attained an upper secondary educational or vocational qualification (ISCED 3); or • is over the age of 50 years; or • lives as a single adult with one or more dependents; or • works in a sector or profession in the UK where the gender imbalance is at least 25 % higher than the average gender imbalance and belongs to the

No.	Type of aid	Maximum allowable aid	Eligible costs	Aid intensity	Comments
					<p>underrepresented gender group; or</p> <ul style="list-style-type: none"> is a member of an ethnic minority within a Member State and who requires development of his or her linguistic, vocational training or work experience profile to enhance prospects of gaining access to stable employment
E2	<p>Financial assistance for employment of disabled workers</p> <p><i>GBE Regulation, Article 33</i></p>	€10 million	Wage costs for period of employment	75%	A "severely disadvantaged worker" means any person who has been unemployed for 24 months or more
E3	<p>Financial assistance for additional costs of employing disabled workers</p> <p><i>GBE Regulation, Article 34</i></p>	€10 million	<p>The following costs other than wage costs that are additional to costs incurred for employees who are not disabled:</p> <ul style="list-style-type: none"> adapting premises; 	100%	A "disabled worker" means any person recognised as disabled under national law, or having a recognised limitation which results from physical, mental or psychological impairment

No.	Type of aid	Maximum allowable aid	Eligible costs	Aid intensity	Comments
			<ul style="list-style-type: none"> • employing staff for time spent solely on the assistance of the disabled workers; • adapting or acquiring equipment, or acquiring and validating software for use by disabled workers • transport costs 		

F. Culture and heritage conservation

No.	Type of aid	Maximum allowable aid	Eligible costs	Aid intensity	Comments
F1	Financial assistance for culture and heritage conservation <i>GBE Regulation, Article 53</i>	Investment aid: €100 million per project Operating aid: €50 million per business	Investment aid: construction, acquisition, preservation, improving accessibility, cultural projects and activities Operating aid: cultural and educational activities and projects	Broadly, the difference between eligible costs and profit For aid up to €1 million: 80%	Aid must be granted for specified cultural purposes and activities, including concert halls, tangible heritage, cultural events and festivals, cultural and artistic education

Part 3 – Conversion from Euros to Sterling

Figures must be converted between Euros and Sterling applying the most recent official daily exchange rate, which may be found in the C series of the Official Journal of the European Union². Below are indicative figures based on the exchange rate applicable on 15 September 2015 of €1: £0.73460.

Euro (€)	Sterling (£)
10,000	7,346
25,000	18,365
50,000	36,730
100,000	73,460
200,000	146,920
250,000	183,650

² Up to date exchange rates can be found at <http://eur-lex.europa.eu/oj/direct-access.html>.