



LANDI ACCOUNTING

# **Covid-19 - Government Funding**

Summary of announced schemes in the UK

Updated: 20th March 2020

## **Introduction**

Events are moving very fast and information is constantly being updated in relation to the UK Government's funding response to Covid 19. Our aim is to summarise the information we are currently aware of and make this available to our clients and contacts.

This publication has been written in general terms and may not include all relevant information. We recommend that you obtain professional advice before acting or refraining from action on any of the contents of this publication. In particular there are a number of areas where we are expecting further clarification in relation to the process of defining and agreeing the relevant scheme's details, specifications and eligibility and therefore information is subject to change.

# Summary of updates to existing funding initiatives and new measures announced on 20 March 2020

On the 20<sup>th</sup> March 2020 the Chancellor, Rishi Sunak, outlined enhancements to earlier announcements on public services and business support, to provide an economic response, which “will be one of the most comprehensive in the world”. New measures and updates include:

**Further social distancing controls:** Closure of Cafés, Pubs, Bars and Restaurants (can provide take out). Nightclubs, Gyms, theatres, leisure centres also to close from the evening of Friday 20 March 2020

## **New Coronavirus Job Retention Scheme:**

- Covers any business, charity or non-profit organisation
- Covers up to 80% of the salary (up to £2,500/mth) of anyone not working (but retaining job) as a result of Covid-19
- Wages back dated to 1March 2020
- Initial period of 3 months, but extended if necessary
- No limit on funding
- Will be in the form of a grant (not a loan)
- Expect first to be paid within weeks, certainly by the end of April

## **Deferral of Tax and VAT Payments:**

- All UK VAT registered businesses can defer VAT payments due between 20 March 2020 and 30 June 2020 until the end of the tax year
- The Government has deferred the Income Tax Self Assessment payments for the self employed due on 31 July 2020 to 31 January 2021.

## **Updates to CBIL:**

- Max turnover refined from £41-45m
- Interest free period extended from 6 to 12 months
- Loans will now be available starting on Monday 23 March 2020
- Further details to be announced next week (w/c 23 March 2020) to ensure that larger and medium sized companies can also access the credit they need

## **Extra support for the welfare system (further details to be provided on request):**

- Increasing today the Universal Credit standard allowance, for the next 12 months, by £1,000/yr
- Increasing the Working Tax Credit basic element, for the next 12 months, by £1,000/yr
- Suspending the minimum income floor for all self-employed affected by the economic impacts of coronavirus

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<b>Coronavirus Job Retention Scheme</b>	<p><b>Payroll support for all firms and enterprises in the UK</b></p> <ul style="list-style-type: none"> <li>Grant support to cover up to 80% of salary costs of anyone not working due to Coronavirus but whose job has been retained (up to a maximum of £2,500 per month).</li> <li>Wages backdated to 1 March 2020.</li> <li>Initial period of 3 months, but this will be extended if necessary.</li> <li>No limit on the total level of funding available.</li> <li>Ambition for first grants to be “paid within weeks” with a scheme “in place” by the end of April 2020.</li> </ul>	<ul style="list-style-type: none"> <li>Covers any employer, business, charity or non for profit organisation in the UK.</li> <li>Applies to businesses of all sizes.</li> <li>Cover is for employees who are “furloughed” instead of being made redundant.</li> <li>Criteria for defining a “furloughed” worker have not yet been published.</li> </ul>	<p>Grants will be provided by HMRC, though exact details to be announced. It is not clear if these will take the form of directly paid grants or through credits against other remittance obligations, or some combination.</p>	<p><a href="https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19-support-for-businesses#support-for-businesses-through-the-coronavirus-job-retention-scheme">https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19-support-for-businesses#support-for-businesses-through-the-coronavirus-job-retention-scheme</a></p>	<ul style="list-style-type: none"> <li>There will be a considerable amount of detail required to implement these measures.</li> <li>It is not clear if 80% of salary costs will be paid only if employers continue to pay the balance of 20%. The Chancellor’s statement included a comment that “employers may top-up the wages of workers should they choose to do so”, implying that the grant may not be contingent on employers funding the balance of those wages to full levels.</li> <li>A maximum grant of £2,500 per worker at 80% of salary equates to an annual salary of £37,500. It is not clear how this will be calculated for workers with variable or zero-hour contracts for whom there may be no obvious reference point for payment without working hours.</li> </ul>	<p>Government is yet to announce the exact application process. Employers who have begun redundancy programmes and those who have moved towards mandatory unpaid leave arrangements will have to consider how this alters the fairness of redundancy decisions and adapting existing reduced pay/work strategies.</p> <p>The expectation set by Government is for the first payments to be processed “within weeks” and certainly by the end of April 2020.</p>

					<ul style="list-style-type: none"><li>• It is not yet clear if grants may cover workers put on reduced hours rather as well as those not able to work at all.</li><li>• Employers seeking to utilise grants this will need to consider also the impact and cost of associated wage-linked costs (pension contributions, employer National Insurance, Apprenticeship Levy).</li></ul>	
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<b>Covid Commercial Financing Facility (CCFF)</b>	<p>Support for liquidity amongst large firms</p> <ul style="list-style-type: none"> <li>Major new scheme being launched by the Bank of England to help companies which make a material contribution to the UK economy to bridge Coronavirus disruption to their cash flows through loans.</li> <li>Up to 12 months support</li> </ul>	<p>To be eligible the business must have had, prior to being affected by Covid-19, a short or long- term rating of investment grade, or financial health equivalent to an investment grade rating.</p>	<p>Further details of the Facility, including application forms, terms and conditions and operating procedures will be published on the Bank's website on Monday 23 March 2020.</p>	<p><a href="https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils/">https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils/</a></p>	<p>Companies that do not currently issue Commercial Paper (CP) but are capable of doing so will in principle be eligible to utilise the CP Facility, provided they meet the eligible securities criteria, in other words of investment grade standing. This means the rating agencies have assigned a BBB-/Baa3 or above rating for long term debt, and a A3/P3 or above rating for short term debt. The route the Bank of England decides to take to assess this for nonrated businesses is as yet untested yet remains critical.</p>	<p>Final documentation for the scheme including a pricing schedule will be published on 23 March 2020, when the facility will be open for drawings.</p>

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<b>Coronavirus Business Interruption Loan Scheme (CBILS)</b>	<p>Small business financial support</p> <ul style="list-style-type: none"> <li>Currently established for businesses <b>with turnover of up to £45m (up from £41m)</b>, expected to be available in week commencing 23 March 2020.</li> <li>Lending scheme through the British Business Bank from £1,000 up to £5m (increased from up to £1.2m) per company with government meeting interest costs for the first 12 months. Finance terms are from three months up to 10 years for term loans and asset finance and up to three years for revolving facilities and invoice finance.</li> <li>The scheme provides the lender with a government-backed guarantee against 80% of the outstanding facility balance, potentially enabling a</li> </ul>	<p>The route to accessing this financing is for borrowers to approach <a href="#">40+ accredited lenders</a> who will then, if necessary, apply to the scheme.</p> <p>To qualify, Small Businesses must:</p> <ul style="list-style-type: none"> <li>Be UK based, with turnover of no more than £41 million per annum</li> <li>Operate within an eligible industrial sector (a small number of industrial sectors are not eligible for support). <a href="#">Click here to see list.</a> (N.B. where potentially ineligible borrowers should carefully review their sector against the full <a href="#">SIC list.</a>)</li> <li>Be able to confirm that they have not received de minimis State aid beyond €200,000 equivalent over the current and</li> </ul>	<p>It's simple to apply and should take no longer than a standard application. Any small business interested in CBILS should, in the first instance, approach one of the 40+ accredited lenders with their borrowing Proposal (recommended approach is through the lender's website).</p>	<p><a href="https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils/">https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils/</a></p>	<p>In one sense this is the BOE guaranteeing the lender, not the borrower. The application process for loans should therefore, as we understand it now, be the same as for a normal high street loan.</p>	<p>Further details, including full eligibility criteria and on the lenders providing access to this scheme will be announced in the coming days, and the scheme will be available from 23 March 2020.</p> <p>On top of the measures already announced, the Government intends to announce further measures next week to ensure that larger and medium sized companies can also access the credit they need.</p>

	<p>'no' credit decision from a lender to become a 'yes'. <b>NB – the borrower always remains 100% liable for the debt.</b></p> <ul style="list-style-type: none"><li>• The first 12 months of these loans will be interest free, as the Government will cover these payments.</li><li>• If the accredited lender can offer finance on normal commercial terms without the need to make use of the scheme, they will do so. Where the small business has a sound borrowing proposal but insufficient security, the lender will consider the business for support via the scheme.</li></ul>	<p>previous two fiscal years</p> <ul style="list-style-type: none"><li>• Have a sound borrowing proposal, but insufficiently security to meet the lender's requirements</li></ul>				
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<b>Grants for retail, hospitality and leisure businesses</b>	A £25,000 grant will be provided to retail, hospitality and leisure businesses operating from smaller premises, with a rateable value between £15,000 and £51,000.	Any enquiries on eligibility for, or provision of, the reliefs should be directed to the relevant local authority. Guidance for local authorities will be published shortly.	Funding will be provided via local authorities.	<a href="https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/covid-19-support-for-businesses">https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/covid-19-support-for-businesses</a>	The optimum route will be to contact one of the Economic Development Officer at your local town or city council. They should be best placed to advise on local arrangements.	Await further details to be announced.

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Rates Relief	<p>Latest announcements allow for a 100% business rates discount for all retail, leisure and hospitality venues with no limit to Rateable Values.</p> <p>The relevant government department (Ministry of Housing, Communities and Local Government MHLCG) has issued a Guidance Note to Local Authorities clarifying as much as possible which specific types of property are covered by the 100% relief.</p> <p>We understand that the government has applied to the European Commission for an exemption from the state aid rules for the scheme</p> <p>Importantly, unoccupied properties as under existing reliefs where they become vacant during the next 12 month will be charged 100% full rates after a 3 month void rate holiday following vacation, this will continue</p>	<p>All property occupiers in the retail, leisure and hospitality sectors including shops, cinemas, restaurants, music venues, museums, art galleries, theatres, caravan parks, gyms, small hotels, B&amp;Bs, guest houses, sports clubs, night clubs and club houses and nurseries will receive 100% rates relief between 1 April 2020 and 31 March 2021.</p> <p>Additional property types that are not listed but fall within the overall description may be eligible and advice should be sought.</p> <p>The list below sets out the types of uses that the Government does not consider to be an eligible use for the purpose of this relief. It is for local authorities to determine for themselves whether particular properties are broadly similar in nature to those below and, if so,</p>	<p>Local Billing Authorities will run and administer the process. They should have knowledge of the applicable properties and there is a fund to be made available by Central Government to support in the administration of the reliefs.</p> <p>Relevant occupiers don't need to take any action. It will be applied by the local council in the April Business Rates invoice.</p> <p>However, local authorities may have to reissue your bill automatically to exclude the business rate charge. They will do this as soon as possible.</p>	<p><a href="https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/87362/2/Expanded_Retail_Discount_Guidance.pdf">https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/87362/2/Expanded_Retail_Discount_Guidance.pdf</a></p>		<p>Further detail may be confirmed on 23 March 2020.</p>

	<p>to apply unless the rules are changed.</p> <p>For the avoidance of doubt, properties which have closed temporarily due to the government's advice on COVID19 should be treated as occupied for the purposes of this relief.</p>	<p>to consider them NOT eligible for the relief under their local scheme.</p> <p>Hereditaments that are being used for the provision of the following services to visiting members of the public:</p> <ul style="list-style-type: none"> <li>• Financial services (e.g. banks, building societies, cash points, bureaux de change, payday lenders, betting shops, pawn brokers)</li> <li>• Other services (e.g. estate agents, letting agents, employment agencies)</li> <li>• Medical services (e.g. vets, dentists, doctors, osteopaths, chiropractors)</li> <li>• Professional services (e.g. solicitors, accountants, insurance agents, financial advisers, tutors)</li> <li>• Post office sorting offices</li> <li>• Casinos and gambling clubs (this also includes Betting shops)</li> </ul>				
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<b>Support for businesses that pay little or no business rates (“small companies”)</b>	<p>Scheme funding is expected to be available from 1 April 2020.</p> <p>The government will provide additional funding for local authorities to support small businesses that already pay little or no business rates because of small business rate relief (SBBR). This will provide a one off grant of £10,000 to businesses currently eligible for SBRR or rural rate relief, to help meet their ongoing business costs.</p>	<p>Businesses that already pay little or no business rates because of small business rate relief (SBBR).</p>	<p>The Department for Business, Energy and Industrial Strategy (BEIS) will provide guidance for Local Authorities on how to administer these grants shortly. If you are an eligible business, your Local Authority will then be in touch in the coming weeks to provide details of how to claim this money.</p>	<p><a href="https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/support-for-businesses">https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/support-for-businesses</a></p>	<p>The optimum route will be to contact one of the Economic Development Officer at your local town or city council. They should be best placed to advise on local arrangements.</p>	<p>Funding for the scheme will be provided to local authorities by government in early April 2020.</p>

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<b>Time to Pay Arrangements “TTP”</b>	<p>TTP has been available to businesses for over a decade, but HM Treasury has announced a stepping up of resource and a specific COVID 19 helpline that businesses can call.</p> <p>TTP allows a business to defer current (as opposed to prospective) tax debts (principally corporation / income tax, payroll taxes and VAT but theoretically any other tax or duty) by converting settlement to instalments over a 3-12 months period.</p> <p>As part of the process, directors are expected to provide written confirmation that the instalment will be made on time.</p>	<p>Any business is theoretically eligible to apply. It is, however, critical to ensure supporting facts (and documentation) are available to evidence cashflow concerns.</p> <p>HMRC have made it clear that they see themselves in this instance as lender of last resort (and not of first resort). Therefore the taxpayer must demonstrate that all other sources of finance have been pursued and exhausted.</p>	<p>Businesses with a Customer Compliance Manager should discuss this with them in the first instance. All others are encouraged to contact HMRC’s helpline on 0800 0159 559. The process can take less than an hour in a simple situation where the amount to be deferred is less than £750K. Agreement for deferral of larger sums will take longer.</p>	<p><a href="https://www.gov.uk/difficulties-paying-hmrc">https://www.gov.uk/difficulties-paying-hmrc</a></p>	<p>Businesses are strongly advised to be prepared for the conversation with HMRC and have the key information to hand:</p> <ul style="list-style-type: none"> <li>• Description of the business;</li> <li>• Annual total liability to tax;</li> <li>• Amounts requesting to be deferred;</li> <li>• Proposed period of deferral;</li> <li>• Reasons for requesting deferral (directly linked to COVID 19);</li> <li>• Details of discussions with other stakeholders / lenders;</li> <li>• Details of other actions taken to mitigate cash outflows;</li> <li>• A short term cashflow forecast;</li> <li>• Authority to confirm directors will ensure all instalment payments will be met.</li> </ul>	<p>We are awaiting further detailed guidance from HMRC as to the level of information they require to support a claim and confirmation as to whether TTP will be extended to prospective (as opposed to just current) tax liabilities.</p>

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<b>Statutory Sick Pay “SSP” for Small or medium sized businesses</b>	<p>SSP is payable to qualifying employees and is now payable from day 1 for those who self-isolate or are unwell because of COVID 19 (the first 3 days are normally unpaid). The current rate of SSP is £94.25 per week.</p> <p>HM Treasury has announced that small and medium sized employers (those with fewer than 250 employees) may recover this cost where SSP has been paid as a result of COVID 19 from 13 March for a maximum of two weeks’ sickness per employee.</p>	<p>Small and medium sized businesses with fewer than 250 employees.</p> <p>SSP paid from 13 March as a consequence of COVID 19 for up to two weeks.</p>	<p>There is no existing mechanism for the recovery of SSP by employers (unlike other statutory payments such as Statutory Maternity Pay). The government has committed to working with employers to work out a mechanism for this recovery.</p>	<p><a href="https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/support-for-businesses#support-for-businesses-who-are-paying-sick-pay-to-employees">https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/support-for-businesses#support-for-businesses-who-are-paying-sick-pay-to-employees</a></p>	<p>Qualifying businesses will need to keep records of sickness and sick pay as a consequence of COVID 19 and days of sickness for future recovery.</p>	<p>Await further information on recovery mechanism.</p>

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<b>Deferral of VAT</b>	<p>VAT payments due from businesses between 20 March 2020 and the end of June 2020 will be deferred.</p> <p>No VAT registered business will have to make a VAT payment normally due with their VAT return to HMRC in this period. Payment of VAT will be deferred to the end of the tax year.</p> <p>HMRC has not yet issued detailed guidance on how the tax year will be defined the tax year for VAT typically runs to the end of 31 March, 30 April or 31 May (depending on the VAT return periods of an individual business). Therefore, our working assumption is that VAT payments for the period from 20 March 2020 to 30 June 2020 will be deferred until the VAT return periods ending 31 March, 30 April or 31 May depending on the VAT return periods of each business deferring payments.</p>	<p>We await HMRC guidance but anticipate that the measure will apply to all businesses registered for UK VAT.</p>	<p>Details to follow but we assume, at this stage, that there will be no need to apply and all UK VAT registered businesses will simply defer payment until their VAT return period ending 31 March, 30 April or 31 May.</p>	<p><a href="https://www.gov.uk/government/news/ chancellor-announces-support-package">https://www.gov.uk/government/news/ chancellor-announces-support-package</a></p>	<p>This development was announced by the Government at 17.00 on 20 March 2020.</p>	<p>We anticipate more detailed guidance being issued by HMRC and we will update with further details as soon available.</p>

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<b>Income Tax payment deferral</b>	Income tax payments on account due under Self Assessment on 31 July 2020 will be deferred until 31 January 2021.	The measure will apply to all self-employed individuals and we anticipate that this will also include partners in trading partnerships.	This applies automatically with no application required.	<a href="https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/covid-19-support-for-businesses#support-for-businesses-through-deferring-vat-and-income-tax-payments">https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/covid-19-support-for-businesses#support-for-businesses-through-deferring-vat-and-income-tax-payments</a>	This development was announced by the Government at 17.00 on 20 March 2020.	We will update with further details as soon as we have them.

Please contact us should you wish to discuss any of this information.

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