



# **Covid-19: Government Funding Summary of announced schemes in the UK**



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The announcement of further financial support for the UK economy on Friday night was very welcome and we wanted to quickly share with you what we know so far

The situation remains extremely fluid and we expect the Government to provide further detail and clarification early this week. Accordingly, whilst we hope you find this summary useful, we recommend that you take further professional advice before taking action on the initiatives set out in this document.

We remain committed to providing our clients with the advice and support they need during these challenging times and will provide further updates during the course of the week. In the meantime, please do not hesitate to get in touch with your usual contact at BHP for any assistance you might need.

With best wishes

Lisa and Hamish

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



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

- New Coronavirus Job Retention Scheme
- Updates to CBILS
- Deferral of Tax and VAT Payments
- Extra support for the welfare system

These changes and additions are on top of the previously announced support covering the following areas

- Grants for retail, hospitality and leisure businesses
- Rates relief
- Support for businesses that pay little or no business rates [“small companies”]
- Time to Pay arrangements “TTP”
- Statutory Sick Pay “SSP” for small or medium sized businesses



# New Coronavirus Job Retention Scheme



## New Coronavirus Job Retention Scheme

- 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 1 March 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 grants to be paid within weeks

## Eligibility

Covers any employer, business, charity or not for profit organisation in the UK.

- Applies to businesses of all sizes
- Cover is for employees who are “furloughed” instead of being made redundant.
- Criteria for defining a “furloughed” worker have not yet been published

<https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/covid-19-support-for-businesses#support-for-businesses-through-the-coronavirus-job-retention-scheme>



# New Coronavirus Job Retention Scheme

## Further Thoughts

There will be a considerable amount of detail required to implement these measures.

- The exact application process has not yet been announced although it is expected to be via HMRC
- 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 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.
- A maximum monthly 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
- 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
- It is not clear how this will interact on any associated wage-linked costs pension contributions, employer National Insurance, Apprenticeship Levy
- 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

# Coronavirus Business Interruption Loan Scheme (CBILS)

## Updates to CBILS

- Currently established for businesses **with turnover of up to £45m [up from £41m]**, expected to be available in week commencing 23 March 2020
- 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
- The scheme provides the lender with a government-backed guarantee against 80% of the outstanding facility balance, potentially enabling a 'no' credit decision from a lender to become a 'yes'. **The borrower always remains 100% liable for the debt**
- The first 12 months of these loans will be interest free, as the Government will cover these payments
- 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
- Loans will now be available starting on Monday 23 March 2020
- Further details to be announced w/c 23 March 2020 to ensure that larger and medium sized companies can also access the credit they need
- The route to accessing this financing is for borrowers to approach the 40+ accredited lenders who will then, if necessary, apply to the scheme. <https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils/accredited-lenders/>

# Coronavirus Business Interruption Loan Scheme (CBILS)

## Eligibility

To qualify, Small Businesses must:

- Be UK based, with turnover of no more than £45 million per annum
- Operate within an eligible industrial sector (a small number of industrial sectors are not eligible for support)

<https://www.british-business-bank.co.uk/wp-content/uploads/2020/03/Ineligible-and-Restricted-Eligibility-Sector-2017.pdf>

[N.B. where potentially ineligible, borrowers should carefully review their sector against the full SIC list]

- Be able to confirm that they have not received de minimis State aid beyond €200,000 equivalent over the current and previous two fiscal years
- Have a sound borrowing proposal, but insufficient security to meet the lender's requirements

# Coronavirus Business Interruption Loan Scheme (CBILS)

## Further thoughts

- The application process for loans should, as we understand it now, be the same as for a normal high street loan. Further details, including full eligibility criteria and the full list of lenders providing access to this scheme will be announced in the coming days, and the scheme will be available from 23 March 2020.
- 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



## Deferral of 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
- 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.
- HMRC has not yet issued detailed guidance on how the tax year will be defined
- We await HMRC guidance but anticipate that the measure will apply to all businesses registered for UK VAT
- We assume, at this stage, that there will be no need to apply and all UK VAT registered businesses will simply defer payment

## Deferral of Income Tax Self Assessment payments for the self employed due on 31 July 2020 to 31 January 2021

- All 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.

Thank you

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