

## Support for businesses

**(Lectures B1188/1189 – 10.30/ 11.58 minutes)**

### *Coronavirus Job Retention Scheme*

The government want to encourage employers to retain staff. This scheme will enable all UK employers to access support for furloughed workers. Furloughed workers are employees who remain employed but are on temporary unpaid leave, either because the employer has been forced to close their business by the government or because the business continues to trade but with a reduced number of staff. The government hope this scheme will reduce the number of staff that are laid off in these unprecedented times. It is important to appreciate that the scheme only applies to furloughed employees and not to those working reduced hours.

The scheme will apply to all employers, small or large, charitable or non-profit.

The scheme can include any employees who were in employment on 28th February 2020 and will run initially for a period of 3 months. It can run from 1 March 2020 but most are applying it from the end of March as the scheme has only recently been announced.

Under the scheme, employers pay their employees and then apply to HMRC for a grant to reimburse 80% of 'furloughed workers' regular salary, up to a cap of £2,500 per month. The grant will also cover the employers national insurance and the 3% auto-enrolment contribution.

### Example

Consider an employee earning £2,000 per month who agrees to a furlough period of three months. This would normally be unpaid and would obviously need the employee's agreement. Under the Job Retention Scheme, the government would cover £1,600 of the £2,000 contracted gross pay. The employer then puts £1,600 gross pay through their payroll and pays the resulting net pay to the employee. The grant will also cover employers national insurance and 3% pension contribution on the £1,600.

There does not appear to be any requirement for the employer to pay the £400 difference between normal gross pay and the '80% grant' received from HMRC but they can choose to do so at their own cost. The scheme is most likely to apply when businesses are temporarily closed so it seems unlikely that many employers will be able to cover the full gross pay.

Where an employee earns say £4,000 per month, how does the cap work?

The guidance indicates that 80% of earnings, £3,200 ( $4,000 \times 80\%$ ), is eligible for relief but capped at the maximum of £2,500. The grant will also cover employers national insurance and 3% pension contribution on the £2,500. If the employer chooses to keep the pay at £4,000 per month the additional costs are the employers responsibility.

Employers will need to identify their 'furloughed' employees,' and notify these employees of the change in their employment status. Changing employee status in this way is subject to existing employment law and, depending on the employment contract, may be subject to negotiation.

For each furloughed worker, employers will need to submit relevant details to HMRC through a new online portal. As current systems are not designed to make payments to employers, HMRC are working urgently to set up a system for reimbursement, hopefully by the end of April 2020. It is via this new portal that the government will process the employer grants.

Recent government guidance has confirmed that workers with irregular hours and those on zero hour contracts will also be covered under the scheme based on their average earnings.

What about Directors? Can they be furloughed as part of the job retention scheme? At present it is not entirely clear but one would think they would in the right situation. Unfortunately most owner managers restrict the directors salary's to the personal allowance and this is what the grant is based on. Dividends do not come into the equation.

The problem directors have with the scheme is that they must not work at all during the furlough period. This could work with a sales director or maybe one of the spouses where one continues to work as the company deals with reduced activity.

#### *VAT deferral*

The VAT due for the quarters 31 March, 30 April and 31 May 2020 can be deferred. There is no need to apply for this deferral as it will automatically apply.

Businesses will be given until the end of the 2020 to 2021 VAT year to pay any liabilities that have accumulated during the deferral period. VAT returns still need to be filed on time and HMRC will continue to process VAT refunds and reclaims as normal.

#### *Income Tax*

Self-employed self-assessment payments that are due on the 31 July 2020 will be automatically deferred until the 31 January 2021 and no penalties or interest for late payment will be charged in the deferral period.

#### *Time to Pay service*

All businesses and self-employed people in financial distress, and with outstanding tax liabilities, may be eligible to receive support with their tax affairs through HMRC's Time To Pay service.

These arrangements will be agreed on a case-by-case basis and tailored to individual circumstances and liabilities. It will be important for taxpayers who have missed a tax payment or are likely to miss their next payment due to COVID-19 to call HMRC's helpline on 0800 0159 559.

### *Paying Statutory Sick Pay (SSP)*

Amended legislation will allow UK based SME businesses employing fewer than 250 employees (as at 28 February 2020) to reclaim SSP paid for absence due to the virus.

The refund will cover up to 2 weeks' SSP per eligible employee who has been off work because of COVID-19.

Employers should maintain records of absences and SSP payments. If an employer requires a Covid-19 medical note, an isolation note can be obtained online at <https://111.nhs.uk/isolation-note/>.

The government is working to set up the repayment mechanism for employers as soon as possible.

### *Coronavirus Business Interruption Loan Scheme*

A new temporary Coronavirus Business Interruption Loan Scheme, delivered by the British Business Bank, was launched to support primarily small and medium-sized businesses to access bank lending and overdrafts.

Under the scheme, the government will provide lenders with a guarantee of 80% on each loan (subject to a per-lender cap on claims) to give lenders further confidence in continuing to provide finance to SMEs. The government will not charge businesses or banks for this guarantee, and the Scheme will support loans of up to £5 million in value.

The full rules of the Scheme and the list of accredited lenders is available on the British Business Bank website. All the major banks will offer the Scheme once it has launched.

Businesses with an existing loan with monthly repayments may want to ask for a repayment holiday to help with cash flow.

### *COVID-19 Corporate Financing Facility*

The Bank of England will buy short term debt from larger companies to support companies affected by a short-term funding squeeze, and allow them to finance short-term liabilities.

It will also support corporate finance markets overall and ease the supply of credit to all firms.

More information is available from the at:

<https://www.bankofengland.co.uk/markets/market-notices/2020/ccff-market-notice-march-2020>

### *Support for retail, hospitality and leisure businesses*

Business rates holiday: The Government is introducing a business rates holiday for retail, hospitality and leisure businesses in England for the 2020/21 tax year.

The holiday will apply to properties that are wholly or mainly being used:

- as shops, restaurants, cafes, drinking establishments, cinemas and live music venues
- for assembly and leisure
- as hotels, guest & boarding premises and self-catering accommodation

This should happen automatically although local authorities may have to reissue bills to exclude the business rate charge.

The Retail and Hospitality Grant Scheme: This provides English businesses in the retail, hospitality and leisure sectors with a cash grant per property:

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|--|------------------|
| • Rateable value up to £15,000               | Grant of £10,000 |
| • Rateable value between £15,001 and £51,000 | Grant of £25,000 |

The same properties that are eligible for the business rates holiday will be eligible for this grant.

Local authorities should contact the relevant businesses directly.

Any enquiries on eligibility for, or provision of, the reliefs and grants should be directed to the relevant local authority.

#### *Support for nursery businesses*

Nursery businesses will receive a business rates holiday for the 2020/21 tax year, provided they are in England and the properties are:

- occupied by providers on Ofsted's Early Years Register;
- wholly or mainly used for the provision of the Early Years Foundation Stage.

#### *Additional Small Business Grant Scheme funding*

The government is providing additional Small Business Grant Scheme funding in England for local authorities to support small businesses that already pay little or no business rates because of:

- small business rate relief (SBBR);
- rural rate relief (RRR);
- tapered relief.

This will provide a one-off grant of £10,000 to eligible businesses to help meet their ongoing business costs. Local authorities will contact businesses directly. Any enquiries on eligibility for, or provision of, the reliefs and grants should be directed to the relevant local authority.

## *Insurance*

Businesses are encouraged to check the terms and conditions of their specific policy and contact their providers.

Most businesses are unlikely to be covered, as standard business interruption insurance policies are dependent on damage to property and will exclude pandemics.

Businesses that have cover for both pandemics and government-ordered closure should be covered, as the government and insurance industry confirmed on 17 March 2020 that advice to avoid pubs, theatres etc is sufficient to make a claim as long as all other terms and conditions are met.

<https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/covid-19-support-for-businesses>