

Chancellor's Winter Economy Plan

(Lecture B1217 – 15.27 minutes)

Last month, the Chancellor cancelled the Autumn Budget and in its place announced the contents of his Winter Economy Plan. This contained a number of new financial support measures to help individuals and businesses through the continuing COVID-19 pandemic.

Job Support Scheme

The Chancellor confirmed that the Coronavirus Job Retention Scheme will end on 31 October 2020. In its place he is introducing a new scheme, the Job Support Scheme that will run from 1 November 2020 for six months.

The new scheme is designed to protect viable jobs, where employers can provide at least a third of normal working hours. Under the scheme the business will continue to pay its employee for time worked, with part of the payment for hours not worked split between the employer and the Government. For every hour not worked by the employee, both the Government and employer will pay a third each of the employee's usual hourly wage, with the Government contribution capped at £697.92 a month.

Class 1 employer NICs and pension contributions are not covered and will remain payable by the employer.

Employers will not be able to top up their employees' wages above the two-thirds contribution to hours not worked at their own expense.

Example

An employee has usual earnings £2,400 a month but from 1 November he will work 40% of his normal hours. Under the new scheme, the employee will receive:

	£
Actual work paid by his employer	960
Job Support Scheme grant:	
Paid by employer $(2,400 - 960) = 1,440/3$	480
Paid by the Government (as < 697.92)	<u>480</u>
Employee's taxable earnings received	<u>£1,920</u>

This means that:

- employee's payslip will show gross pay of £1,920 so they bear a cost of £480;
- employer pays £1,440 plus all of the ERs NIC and pension contributions on £1,920;
- the Government funds £480.

The calculation of “usual” wages will be similar to that for the Coronavirus Job Retention Scheme and for employees who have been on furlough it will be based on their underlying usual pay / hours and not the amount paid whilst on furlough.

Claiming the grant

Employers will be able to claim the grant online from December 2020 and will be paid monthly in arrears, reimbursing the employer for the Government’s contribution.

Eligible employers

All employers with a UK bank account and UK PAYE schemes are eligible.

However large businesses:

- will be required to demonstrate that their business has been adversely affected by COVID-19;
- must not make capital distributions, such as dividend payments, whilst using the scheme.

Employers may still claim the Job Retention Bonus if eligible.

Eligible employees

Employees must be on an employer’s PAYE payroll on or before 23 September 2020. It does not matter if neither the employer nor employee previously used the Coronavirus Job Retention Scheme.

Employees will be able to move on and off the scheme and they do not have to be working the same pattern each month. However, each short-time working arrangement must cover at least seven days.

For the first three months of the scheme the employee must work at least a third of their usual hours and be paid their normal contracted wage for those hours. After this three-month period, the Government will review whether to change the working percentage threshold required.

Employees cannot be made redundant or put on notice of redundancy whilst their employer is claiming for them under the scheme.

Self-employment income support scheme extended

Claims for the second Self-Employment Income Support Scheme (SEISS) grants closes on 19 October 2020.

The Chancellor has now announced that the SEISS will be extended but only to those who are currently eligible for SEISS and are continuing to actively trade but face reduced demand due to COVID-19. Detail on what is meant by these terms has not been published but they will mean that businesses that have had to close during the pandemic will not be able to claim if they have not restarted during the qualifying period.

The third lump sum payment will cover the three months from November to the end of January 2021 and will be worth 20% of average monthly profits up to a total of £1,875; capping average monthly profits at £3,125 (£3,125 x 20% x 3 months = £1,875).

The Chancellor also announced that a fourth grant covering the period from February to April 2021, but the Government will review the level of the second grant and set this in due course.

HMRC has not announced details of how to apply but, as with the previous grants, it seems likely that individuals will be contacted directly by HMRC.

VAT deferral 'New Payment Scheme'

Businesses that deferred VAT due from March to June 2020 were originally told that the full amount deferred would need to be paid by the end of March 2021. Those that can pay their deferred VAT can do so by 31 March 2021.

However, the Chancellor has now announced that, rather than paying in full at the end of March 2021, by opting in to the new scheme such businesses can make 11 payments spread over the period to the end of March 2022, interest free. HMRC will put in place an opt-in process in early 2021 and further details will be provided once it is published.

Extension of temporary reduced VAT rates

The temporary reduced rates for the hospitality and tourism sector was due to end on 12 January 2021 and applies to supplies of food and non-alcoholic drinks from restaurants, pubs, bars, cafes and similar premises, as well as supplies of accommodation and admission to attractions across the UK.

This temporary period has now been extended until 31 March 2021.

Enhanced Time to Pay for Self Assessment

The Chancellor has announced that Self Assessment taxpayers will be able to set up time to pay arrangements for payments that fall due on 31 January 2021:

- Deferred 2nd payment on account in respect of 2019/20;
- Balancing payment for the 2019/20 tax year, which will be the total income tax, capital gains tax, Class 2 and Class 4 NIC due for that year less the first payment on account (if paid);
- First payment on account for 2020/21.

Taxpayers with liabilities of up to £30,000 will be able to use a self-service time to pay facility to agree a plan with HMRC, spreading their payment over 12 months. We have yet to hear if the parameters of this existing facility will be increased from £10,000 or whether a separate COVID-19 self-service facility will be set up. The time to pay arrangement must be set up before the due date and then, provided that the taxpayer keeps to the agreed payment schedule settling amounts by direct debit, late payment penalties should not be charged but interest will run on the late paid tax with effect from 31 January 2021.

If a taxpayer fails to make an agreed payment without contacting HMRC before the due date, HMRC can cancel the time to pay arrangement and start proceedings to collect the late paid tax, including direct recovery from the taxpayer's bank account(s).

Taxpayers with liabilities of £30,000 or more can also access time to pay, but they must contact the dedicated coronavirus time to pay helpline to do so.

Loan scheme extension

The government is allowing new applications to the following temporary loan schemes up until 30 November 2020:

- Bounce Back Loan Scheme for small businesses;
- Coronavirus Business Interruption Loan Scheme is available to UK businesses with turnover under £45 million;
- Coronavirus Large Business Interruption Loan Scheme
- Future Fund, the Government's investment scheme for innovative and fast-growing UK-based businesses.

In addition, the COVID-19 Corporate Financing Facility will remain open until 22 March 2021. Where a company has exhausted all other options, and is of strategic importance to the UK, the government may also consider providing bespoke financial support.

Further loan term changes

The Government is allowing businesses that borrowed under the Bounce Back Loan Scheme the option to repay their loan over a period of up to ten years. UK businesses will also have the option to move temporarily to interest-only payments for periods of up to six months (an option which they can use up to three times), or to pause their repayments entirely for up to six months (an option they can use once and only after having made six payments).

The government will allow Coronavirus Business Interruption Loan Scheme lenders to extend the term of a loan up to ten years, providing additional flexibility for UK-based SMEs who may otherwise be unable to repay their loans.

<https://www.gov.uk/government/publications/winter-economy-plan>