



## COVID-19 Business Support Guide

In these uncertain and difficult times many businesses are faced with difficult decisions as they consider the future impact of COVID-19 on their trade and the wider economy.

This publication outlines government measures introduced, at the current time, to help support businesses. With the ever changing situation and regular government announcements, this document will continue to be “live” and we will provide regular updates as required.

### JOB RETENTION SCHEME

One of the most difficult decisions a business can face is the future employment of their staff. With increased social distancing measures and the likelihood of full “lockdown”, this can have a devastating impact on a business that relies on employees that cannot otherwise fulfil their duties from home, such as office workers.

If there is no requirement for your business to keep employees on, because, for example, your business premises are shut (and you are not in an industry that can adopt remote working), or the demand for your trade has fallen, there are other options now available other than redundancy.

On the anticipation that the economy will bounce back and your business will pick up, the Coronavirus Job Retention Scheme gives the option to identify affected employees as “furloughed employees”, effectively granting a leave of absence with the ability to return to their jobs.

HM Revenue & Customs (“HMRC”) will reimburse 80% of furloughed employees wage costs up to a limit of £2,500 per month. Employers then have the option (but not a requirement) to fund the additional 20%, albeit you may wish to highlight the cost savings to employees of the lack of commuting costs which could be relevant.

In order to qualify for the scheme you will need to designate the relevant employees as furloughed and submit information to HMRC about these employees on a new online portal (which HMRC is, at the time of writing, working on).

The scheme is to be made available, with retrospective effect, from 1 March 2020, and will apply for at least 3 months, but this could be extended.

# BUSINESS BRIEF

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## **SICK PAY DUE TO COVID-19**

Legislation will be introduced which will allow businesses with fewer than 250 employees as at 28 February 2020 to reclaim up to two weeks' Statutory Sick Pay ('SSP') per employee at £94.25 per week, in the form of a rebate, for absence arising due to COVID-19. This not only includes those who are too sick to work, but also those who cannot work due to a household quarantine.

The rebate is available from the first day of self isolation, commencing from 13 March 2020.

Employers will need to keep records of any payments of SSP. Should the business require evidence of the SSP being COVID-19 related, the employee is able to obtain an isolation notice from the NHS website.

The repayment mechanism will be developed by the government over the coming months.

## **BUSINESS RATES SUPPORT**

A business rates holiday for the 2020 to 2021 tax year will be available to business rate payers based in England that operate in the retail, hospitality and leisure sectors.

Properties that benefit from the relief must be occupied and used wholly or mainly:

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

A similar business rates holiday will also be applied for OFSTED Early Years Foundation Stage Nurseries.

There is no action required to access the relief - it will apply automatically on the business's next council tax bill in April 2020.

In addition to the above, Small Business Grant Scheme funding in the form of a one-off £10,000 grant will be available from local authorities for businesses that occupy properties and pay little or no business rates due to the availability of small business rate relief, rural rate relief and tapered relief.

## **VAT DEFERRAL**

Whilst there has not been a suspension of VAT and VAT should continue to be charged by businesses to their customers and paid to their suppliers (where applicable), there has been a deferral of the VAT liability on current returns.

Any VAT payments due on your current VAT returns (liabilities from now until the end of June) will be deferred until the end of the 2020/21 financial year. Depending on when your VAT quarters fall, this will be 31 March, 30 April or 31 May 2021 (or 31 March 2021 for those who complete monthly returns).

VAT returns will still need to be submitted to HMRC as usual, however any payment from the current return should not be automatically collected (for direct debit payers) nor need to be paid until next year. For those in a VAT refund situation, refunds will continue to be received as currently.

Please note it is understood this payment deferral is only available to UK businesses. For overseas businesses that are registered for UK VAT (known as Non Established Taxable Persons) the regular VAT payment deadline remains (being the 7th of the month following the VAT return period end).

## **TIME TO PAY SERVICE**

HMRC has set up a dedicated COVID-19 helpline (0800 0159 559) as a part of its Time To Pay Service ('TTPS') for businesses looking to defer their currently outstanding tax liabilities. It is envisaged that payment will be made through a series of instalments over a period of up to 12 months. This covers all taxes collected by HMRC.

Applications for deferral under TTPS will be assessed on a case-by-case basis. There is specific evidence that will need to be provided by those wishing to apply but it is important to note that HMRC expect that other funding sources will have been considered and explored before they are approached. Full detail will follow, with the key one being substantiating that the inability to pay has been directly caused by the pandemic – other supporting documents that will need presenting will likely to be similar to those for TTPS applications pre-coronavirus.

## **INCOME TAX DEFERRAL**

For those that are self-employed, any income tax due under self-assessment on 31 July 2020 has been deferred until 31 January 2021.

Again this deferral is automatic with no applications or notifications to HMRC required. HMRC has confirmed no interest or penalties for late payment during the deferral period will apply.

## **BUSINESS INTERRUPTION LOAN SCHEME**

Under the Coronavirus Business Interruption Loan Scheme, qualifying businesses can obtain loans of up to £5 million for a period of up to 6 years with the first 12 months being interest free (covered by the government together with any lender-levied fees).

The loans are available to Small and Medium-sized enterprises (businesses with a turnover of no more than £45 million) which generate more than 50% of their turnover from trading activities. The loans will be 80% backed by government guarantees.

The loans will be administered by commercial lenders, who should be contacted directly for this. Borrowers will need to provide a borrowing proposal which, were it not for the current pandemic, would be considered viable by the lender, and for which the lender believes the provision of finance will enable the business to trade out of any short-to-medium term difficulty.

We can assist you in identifying potential lenders and in preparation of your borrowing proposition.

## **CORPORATE FINANCING FACILITY**

To assist larger businesses with financing their outgoings in the short term, the Treasury and the Bank of England are introducing a new COVID-19 Corporate Financing Facility ('CCFF').

CCFF is in place for UK incorporated companies with genuine business operations in, and making "a material contribution to economic activity", in the UK. It will not extend to, very broadly, companies operating in the financial services sector.

The Scheme will operate through businesses issuing Commercial Paper (via a bank), which is unsecured short-term debt with:

- A minimum credit rating of A-3 / P-3 / F-3 / R3 from at least one of Standard & Poor's, Moody's, Fitch and DBRS Morningstar respectively, as at 1 March 2020;
- A maturity period of between one week and one year;
- With a value of at least £1m (rounded up to closet £0.1m thereafter).

Businesses without a credit rating will need to approach credit rating agencies to obtain one specifically for application under the CCFF.

Eligibility will be assessed on a case-by-case and application forms and supporting documents that will need to be provided were released by the government on 23 March 2020. It is understood that once approval is granted, Commercial Paper can be issued and sold to the Bank the following day.

CCFF is anticipated to be in place for at least 12 months.

Please contact your usual Rawlinson & Hunter contact should you require further information or any assistance with the above, or any of those listed below.

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