# Government Support for Businesses During the COVID-19 Pandemic

On 17th March the Chancellor, Rishi Sunak, announced a dramatic set of temporary measures designed to support people and businesses through the COVID-19 pandemic. As greater restrictions on personal movement are brought in, they aim to help those most effected by it through the forthcoming months. How successful they are only time will tell but there is no doubting the seriousness of the problem given the long-term fiscal implications of this response.

This is a brief summary of the measures for employers and small to medium sized business owners as we understand them today. Understandably, very little has emerged on implementation yet. Please feel free share this with anyone else you feel it would benefit.

**Statutory Sick Pay**

For businesses with fewer than 250 employees the cost of providing 14 days of Statutory Sick Pay per employee would be funded by the Government in full. This will also apply to those who are in self isolation. The three day waiting period for statutory sick pay will also be removed, but legislation will be needed to implement this so we await more information on this.

**Job Retention Scheme**

For all employees who remain on the payroll but would otherwise be laid off, the Government will pay 80% of their basic salary up to a cap of £2,500 per month. Employers will have the ability to top-up the salary to 100% of salary if they choose.

All businesses are eligible for this scheme but in order to access it they need to:

* Designate affected employees as ‘furloughed workers’ (which just means they are being retained but would normally be laid off) and notify those employees of this change. Changing the status of employees remains subject to existing employment law and, depending on the employment contract, may be subject to negotiation, so you should obtain employee law advice where necessary.
* Submit information to HMRC about the employees that have been furloughed and their earnings through a new online portal. HMRC will provide more information soon on exactly what they need.

Businesses can apply from Monday 23rd March. It will be in place for three months and then reviewed every month. The money will be available from the end of April but will take affect from 1st March. HMRC are now working to set up a system for reimbursement as existing systems are not set up to facilitate payments to employers and [will publish further guidance here](https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/covid-19-support-for-businesses) once available.

## **Coronavirus Business Interruption Loan Scheme (CBILS)**

The Government intends to support businesses who have short-term cash flow needs and need money before the end of April when the Job Retention Scheme kicks in through business loans which will be interest free for 12-months, rather than the six months previously announced. The scheme provides the lender with a Government-backed guarantee against the outstanding facility balance.

It will be administered through the British Business Bank and is due to launch in the week commencing 23 March. It will be available through high street banks and [40 other accredited finance providers](https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils/accredited-lenders/)

The limit of funding has increased from the £1.2 million announced on the 11 March to £5 million for companies with a turnover of less than £45 million.

Finance terms are from three-months up to ten years for term loans and asset finance and up to three-years for revolving facilities and invoice finance.

To be eligible the Scheme, the business 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 or subject to limitations – see link).
* 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.
* Be unable to meet a lender’s normal lending requirements for a fully commercial loan or other facility but would be considered viable in the longer-term.

You can find out more [here](https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils/).

## **COVID Corporate Financing Facility (CCFF) and Bank Lending**

Whilst not directly applicable to small to medium sized business, this fund aims to provide essential liquidity amongst banks and in turn allow them to lend to the small and medium sized businesses who depend on them. This adds to the previous week’s launch by the Bank of England of a new Term Funding Scheme (TFSME) with additional incentives for lending to SMEs. This will, over the next 12 months, offer four-year funding to banks of at least 5% of participants’ stock of real economy lending at interest rates at, or very close to, Bank Rate. Additional funding will be available for banks that increase lending, especially to small and medium-sized businesses.

The CCFF is being made available through the Bank of England for the next 12 months who will purchase 1 year corporate bonds subject to an assessment of their credit rating prior to the pandemic.

The Government has pledged that it will make £330 billion (equivalent to 15% of GDP) of guaranteed funding available to any business that needs it. The Chancellor has also stated that, if demand is greater than the £330 billion of funding, he will provide additional funds.

With this in place, all of the UK’s main clearing banks are now creating funds which they will make available to small businesses under their own schemes. For example, Lloyds now has a £2bn fund and NatWest has earmarked £5bn. If you anticipate financial difficulties, you should begin discussions with your bank as early as possible.

Many businesses with banking covenants will be in danger of breaching them as the pandemic drags on. The breaches could be on performance covenants or an inability to provide financial information due to loss of staff. Banks will be expecting this so early communication is advisable and, where possible, covenant waivers should be sought. For businesses with serious cash constraints, it is also recommended that the subject of payment holidays is discussed.

**Cash Grants and Business Rates**

Businesses which pay minimal or no business rates and are eligible for small business rate relief (SBBR) or rural rate relief will be eligible for a one-off grant of up to £10,000 from April 2020 onwards. These grants will be provided by Local Authorities and it is understood that small businesses will be contacted by their Local Authority shortly (rather than having to proactively approach their Local Authority) with information on exactly how to access these grants.

A further grant of £10,000 to £25,000 is being made available to businesses operating from smaller premises in the retail, hospitality and leisure sectors, which have a rateable value of £15,000 to £51,000 and business rates for businesses in these sectors will be suspended for the 2020/2021 tax year. This is designed to assist the payment of rent in particular.

If any business which qualifies for this relief does not receive a letter from their local council, they should contact them directly to claim it. You can [check your business’ rateable value here](https://www.gov.uk/correct-your-business-rates).

**Self-Employed and Universal Credit**

The self-employed will not have to make a tax payment on account in July and the payment will be deferred until January 2021. The minimum income floor for Universal Credit has been removed and it has been increased by £1,000 per year, ensuring the self-employed will get this Universal Credit at the statutory sick pay level. He also announced a further £1bn to cover 30% of house rental costs for the self-employed.

**Mortgage Holidays**

Whilst much of the attention will be on personal home mortgages, three-month payment holidays are available for business mortgages also. Talk to your lender.

**Deferred VAT payments**

Business VAT payments for the next quarter (until 30 June 2020) will be deferred until the end of the year.

**Deferral of IR35**

HMRC have confirmed that the proposed changes to IR35, which were due to take place with effect from 6 April 2020, have now been pushed back to 2021.

**Extension to Filings with Companies House**

Companies House and the Financial Reporting Council have confirmed that all companies with imminent filing deadlines – predominantly 30 June 2019 year-ends which are due for filing by 31 March 2020 – will be granted a two-month extension.

If your annual accounts are not yet finalised and may not get completed by the filing deadline, you must still contact Companies House, but they are automatically accepting Coronavirus as a reason and providing a two-month extension. In extreme circumstances they can grant a further one-month extension.

You will need to provide them with your company number, an e-mail address and state that you are extending due to Coronavirus [via this link](https://www.gov.uk/guidance/apply-for-more-time-to-file-your-companys-accounts), but make sure you apply for the extension before the deadline or it will be rejected.

If you have passed the filing deadline and are receiving notices concerning the overdue accounts, you must contact Companies House to explain the circumstances behind the delay. If Coronavirus is a factor, let them know this by emailing enquiries@companieshouse.gov.uk.

**Time to Pay HMRC**

HMRC has set up a dedicated helpline at 0800 0159 559 to help businesses and self-employed individuals in financial distress and with outstanding tax liabilities so they can receive support with their tax affairs.

It may be possible to agree a ‘Time to Pay’ arrangement with deferrals being agreed on a case by case basis. This arrangement will see the usual 3.5% annual interest on deferred tax being waived.

**Late Filing of VAT and PAYE Returns**

If your business is unable to file a VAT or PAYE return due to staff absence, you should contact HMRC before the due date to explain the situation and mitigate any surcharges that may be levied.