AUTUMN 2020 BUSINESS SUPPORT GUIDE

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The Chancellor's Winter Economic Plan

Rishi Sunak received widespread praise for his business support measures introduced following the onset of the coronavirus pandemic. Many businesses and individuals have benefited from a range of schemes, including furlough grants for staff unable to work, grants for the self-employed, deferral of VAT and Income Tax payments and cheap, government-backed business loans.

With the economy still some way from getting back to normal and many businesses still unable to operate normally, if at all, the Chancellor has had to balance the need for further support this winter with concerns about the enormous borrowing that the government is taking on. The result is that there will be a range of new measures this winter but, overall, they will be much less generous than those previously introduced.

The furlough scheme is being replaced from 1 November by the Job Support Scheme. This will entail an employee working at least one third of their normal hours, but also being paid for two-thirds of their hours not working. The government, however, will only fund a maximum of 22.2% of the worker's normal earnings, compared to the 60% to 80% it has contributed under the furlough scheme. This leaves the employer bearing the cost of a lot more hours than the employee actually works, so the scheme may not be of much use for many businesses that are struggling to keep trading.

There are to be further grants for the self-employed. For those who qualified, the first two grants were based on 80% and 70% of previously reported profits, but the next grant will only be based on 20%. Details of the fourth grant have not yet been finalised.

Further VAT and Income Tax deferrals are going to be available next year, to help the cashflow of businesses and individuals. Other plans announced include a bonus to employers for keeping on previously furloughed staff for 3 months after furloughing ends on 31 October and the Kickstart Scheme, which has the laudable aim of providing six months' government-paid work experience for young people on universal credit.

In this newsletter we explain what has been announced so far on these new business support measures. •

1 Job Support Scheme

The Coronavirus Job Retention Scheme (CJRS), which has reimbursed employers for a proportion of the wages of furloughed workers, ends on 31 October 2020. The JSS is its replacement, but it is far less generous, as it will only cover up to 22.2% of the employee's salary.

The JSS is designed to help employers keep some valuable employees working on a part-time basis over the winter period from November to April, rather than make them redundant.

The employer pays the employee in full for all the hours actually worked, which must be at least 33% of their usual hours, but the employee will also receive pay for two thirds of the time that they are not working.

The employee won't have to work for one third of every week or month, as they will be able to move in and out of the JSS scheme by pay period.

Example

Joe is a coach driver on an annual salary of £36,000, or £3,000 per month. In a normal month he would work 225 hours, which is £13.33 per hour.

Joe has agreed to work 75 hours per month for £1,000. If his employer uses the JSS, it must pay Joe for two thirds of his remaining normal hours: 100 hours for £1,333. The government will pay for 50 of those hours under the JSS, providing a grant of £666.67.

Joe receives pay of £2,333 (£1,000+£1,333), which is 77.78% of his normal pay. Joe's employer must bear the cost of £1,666.33 (£2,333 – £666.67), plus the employer's NIC on the full amount paid of £2,333 and any relevant workplace pension contributions.

The government's contribution under the JSS is capped at £697.92 per month. When working part-time under the JSS, an employee should earn a minimum of 77.8% of their normal wages, where the government's contribution has not been capped.

Which employees qualify?

All employees on the payroll can qualify for the JSS, if they were included in a Real-Time Information (RTI) return submitted on or before 23 September 2020. There is no requirement to have been previously furloughed.

It is not yet clear whether annually paid directors can qualify for the JSS. It may depend on exactly when the director received their annual pay.

Employees who are already on notice for redundancy, or who have been made redundant, can't be included on a JSS claim.

Which employers qualify?

Any small or medium-sized employer with a UK bank account will be able to use the JSS without further conditions applying.

Large employers will have to show that their business turnover has reduced due to COVID-19, before they can use the JSS. We don't know how many employees will make the employer "large", but it is likely to be 250 or more.

Large employers will also have to refrain from paying dividends to shareholders or undertaking share buy-backs while claiming under the JSS.

When is the claim made?

The employer must pay the employee first and then make a claim for the JSS through an online portal, which will open in December 2020. The employer will be paid the JSS grant once each month, but only after the RTI return that reports the employee's wages has been received by HMRC.

The JSS grant can only be used as reimbursement for wage costs actually paid.

2 Job Retention Bonus

The Coronavirus Job Retention Scheme (CJRS) for furloughed employees comes to an end on 31 October 2020. After that date employers will only receive government support for employees who work at least one third of their normal hours, under the Job Support Scheme (JSS).

To encourage employers to keep on more staff rather than make them redundant, employers can claim a one-off bonus from HMRC of £1,000 for each employee continuously employed from 1 November 2020 to 31 January 2021.

Each employee must also meet these conditions if their employer is to qualify for the bonus:

- be furloughed before 31 October 2020
- be included in at least one eligible CJRS claim
- be employed by the employer from the period covered by that CJRS claim to 31 January 2021
- not be on statutory or contractual notice for redundancy during that period
- be paid at least once per month from November 2020 to January 2021, with that income reported under RTI
- earn at least £1,560 over the three months to 31 January, although those earnings do not have to be the same amount each month

Employees who are included in the JSS will still be eligible employeesfor the £1,000 bonus if the above conditions are also met.

Employers could also claim the bonus in respect of company directors, agency workers and contractors employed by umbrella companies (in each case, subject to all the conditions being met).

The employer needs to claim the bonus for each employee after they have filed their RTI return for

January 2021, and confirm they meet the following conditions:

- have a UK bank account
- have complied with all obligations to pay and file PAYE accurately and on time under RTI for all employees to the end of January 2021; and
- are up-to-date with all payroll obligations and have addressed all requests from HMRC to provide missing employee data in respect of historic CJRS claims

The bonus will be paid to employers in February 2021 and it will be taxable. The business will have to include all bonuses received as income when reporting its taxable profits for Corporation Tax or Income Tax.

3 Self-Employed Income Support Scheme (SEISS)

There have been two rounds of grant support for the self-employed: SEISS-1 and SEISS-2. The second of those (SEISS-2) was supposed to be the final grant. If you are eligible you should apply for this grant before applications close on 19 October 2020.

On 24 September 2020 the Chancellor announced that there would be two more SEISS grants to help support the self-employed over the six months from November 2020 to April 2021.

The third grant (SEISS-3) will be calculated at 20% of your average monthly profits, based on the same profit figures as were used to calculate the SEISS-1 and SEISS-2 grants. These were derived from your self-employed profits as reported on your tax returns for 2016/17 to 2018/19, or the portion of that period when you were self-employed.

You will qualify for the SEISS-3 grant if all for the following apply:

- you were eligible for the previous SEISS grants (even if you didn't apply for them)
- you are actively trading at the time you claim the grant; and
- your sales have been reduced due to the COVID-19 pandemic in the period from 1 November 2020 to the date of your claim.

We don't yet know when applications will open for the SEISS-3 grant, but we do know it will be capped at £1,875 for three months, working out at just £625 per month.

A fourth grant (SEISS-4) will be payable for three months to help you survive from February to April 2021. We don't know how much that grant will be or what the cap will be. The qualifying conditions for the SEISS-4 grant are likely to be similar to those for the SEISS-3 grant.

The profits used as the basis for the SEISS-4 grant will also be your average annual profits derived from your tax returns for 2016/17 to 2018/19, although by the time applications open in February 2021 your tax return for 2019/20 will have been submitted (deadline is 31 January 2021).

4 Kickstart Scheme

This scheme sounds like a great idea at first sight. The government will pay the wages and associated employment costs of your new employees who are aged 16 to 24 and who come directly to you from claiming universal credit.

The government support will cover the employee's wages at the national minimum wage rate for 25 hours per week, for six months, plus the employer's National Insurance Contributions and the minimum amount of employer's contributions to a workplace pension. You can top up those wages, or pay for further hours if you wish.

What's more, the government will pay you £1,500 for each employee you take on, to help cover training, uniforms and other set-up costs.

There are a number of conditions which could take the shine off the Kickstart scheme.

The jobs created must not replace any of the following:

- any existing or planned vacancies
- people who have been made redundant
- contractors used by the business

Also, each employer, or group of employers, must create at least 30 job opportunities under the Kickstart scheme. This might seem a big hurdle, but you can work with an intermediary organisation to be part of a group of employers to achieve the 30-job minimum.

Organisations such as Local Authorities, Chambers of Commerce, charities and trade bodies across the country are all setting up partnership arrangements to allow local businesses to qualify for Kickstart.

Finally, there are two training conditions for Kickstart.

1. You must not set any extensive training conditions for applicants to meet before they start the job. It's not clear whether a requirement to have a clean driving licence would be considered as extensive training.
2. Your business must demonstrate how it will help the new employees to develop basic skills, set goals, and look for long-term work.

You can't advertise your Kickstart job placements directly, as the DWP Job Centre staff will choose the applicants from the pool of young Universal Credit claimants. However, you will have the final say on whom you employ from the candidates offered.

5 Tax deferrals

At the beginning of the coronavirus pandemic, the government gave individuals and businesses the option to defer, until 2021, payments of Income Tax due by 31 July 2020 and VAT due in the period 20 March to 30 June 2020.

In both cases, you could pay the tax or VAT by the original due date if you wished, but no interest or late payment penalties would be added to those deferred tax debts.

However, roll on to 31 January 2021 and you may be looking at four different amounts of tax becoming due for payment:

a) Second payment on account for 2019/20 (deferred from 31 July 2020)
b) Balancing payment for 2019/20
c) Capital Gains Tax for 2019/20 (if not paid under the new 30-day rule for UK residential property)
d) First payment on account for 2020/21

It appears from Chancellor Sunak's recent statement that taxpayers with up to £30,000 of self-assessment liabilities due on 31 January 2021, whether deferred from July 2020 or otherwise, could make payment in 12 monthly instalments under the time to pay arrangements. This means the final payment would not be due until January 2022. Where the total tax due does not exceed £30,000, an application (made online) for deferral will be automatically granted.

If the total tax due exceeds £30,000, or you need longer to pay, you will be able to call HMRC to agree a bespoke payment plan.

Where you deferred VAT due in the period from 20 March to 30 June 2020, that VAT will be payable by 31 March 2021.

However, you will now be able to apply to spread the deferred VAT payment over smaller instalments through until March 2022. This deferred VAT will not be subject to interest or penalties if the payments are made on the dates as agreed.

6 Statutory Sick Pay refunds

If you are a small employer, you can reclaim some of the Statutory Sick Pay (SSP) paid to your employees if that SSP was due to COVID-19 symptoms or isolation rules (see below).

To be eligible for this rebate scheme, your business must meet all of these conditions:

- Employed fewer than 250 employees on 28 February 2020 across all payrolls
- Commenced your PAYE scheme before 28 February 2020; and
- Was not in financial difficulty on 31 December 2020

In addition, when your SSP rebate is added to other state aid that your business has received over the last two years, it must not take the total of state aid above the limit set for your trade sector:

- aquaculture and fisheries: €120,000
- agriculture: €100,000
- any other sector: €800,000

In order to be included in a refund claim, the SPP must have been paid to an employee who meets one of the following conditions on or after the date shown:

- has symptoms of coronavirus (12 March)
- lives with, or is in a linked or extended household with, someone who has symptoms (13 March)
- is shielding, in accordance with public health guidance (16 April)
- has been informed that they have had contact with a person who was, at the time of the contact, infected with coronavirus (28 May)
- lives with someone who has tested positive for coronavirus (30 July)
- has tested positive for coronavirus (isolation extended to 10 days from 5 August)
- is staying at home for three or four days prior to being admitted to hospital for surgery (26 August)

You can't reclaim SSP paid to employees in relation to other health conditions, so a person who isolated before surgery can get COVID-19-related SSP for that isolation period, but not for the day of the surgery or for recovery days.

SSP is not payable to employees who need to quarantine for 14 days on returning to the UK, unless the individual also meets one of the above COVID-19 conditions.

You can make more than one SSP rebate claim for an employee if, for example, the individual is shielding and then at a later date tests positive for coronavirus. However, you can only recover SSP for the first 14 days of any one COVID-19 absence. The maximum rebate you can claim for each employee is for 14 days of SSP in total per employee.

It is not possible to make a claim under the Coronavirus Job Retention Scheme (CJRS) and the SSP rebate scheme for the same employee for the same period.

The SSP rebate is claimed through HMRC's PAYE online system. We can do that for you. The claims can cover multiple pay periods back to when these rules came in.

7 Reduced VAT rate

To help the hospitality and tourist sectors through the pandemic, the government reduced the VAT due on key sales in those sectors from 20% to 5% from 15 July 2020. This reduced rate was due to revert to 20% on 13 January 2021, but this will now not happen until 1 April 2021.

Crucially, you don't have to reduce your prices to pass on the VAT rate reduction to your customers; instead, you can keep your prices constant and enjoy the extra profit margin. However, you do need to account for the correct amount of VAT to HMRC.

The 5% rate applies to the following categories of sales:

- Food and drink sold for consumption on the premises, excluding alcoholic drinks
- Hot takeaway food and hot takeaway drinks, excluding alcoholic drinks
- Holiday accommodation, which includes bookings for hotels, caravan sites, guest houses, and camp sites
- Admission fees to tourist attractions such as zoos, theatres, fairs, and amusement parks

There are exceptions in these broad categories, for example:

- Sporting events are excluded from the reduced rate, but live performances of cultural events may be exempt from VAT
- Hire of equipment, such as skates or paintball guns, must be charged at 20% VAT
- Where the charge is for individual fairground rides and not an admission fee, it must be charged at 20% VAT

Some attractions charge the customer one indivisible fee for admission and another item such as a printed guide, in which case the whole price is subject to the 5% VAT rate.

The temporary 5% rate also applies to advance bookings for accommodation in 2021 if the invoice is issued, or payment made by the customer, before 31 March 2021.

If you use the VAT flat rate scheme for small businesses, the flat rate you need to apply will has been reduced for these sectors:

- catering services, including restaurants and takeaways
- hotel or accommodation
- pubs

As the VAT rate changed in the middle of a month (15 July), the figures for your VAT return covering that period will need extra attention. For peace of mind, ask us to check the calculations before your VAT return is submitted.

8 Business Support Loans

To help businesses survive the pandemic, the government has created four different loan schemes to help different types of businesses:

- Bounce Back Loan Scheme (BBLS)
- Future Fund
- Coronavirus Business Interruption Loan Scheme (CBILS); and
- Coronavirus Large Business Interruption Loan Scheme (CLBILS)

Bounce Back Loan Scheme

This provides loans of between £2,000 and £50,000 to businesses who apply to a high street lender using a relatively simple online form.

The amount you can borrow is capped at the lower of 25% of your annual turnover and £50,000. The application form will ask you for details of your turnover for the period that ended in the year to 31 March 2020, but you can estimate that figure.

Applications can be made up until 30 November 2020 and the lender has until 31 December to approve or reject your application. You also need to confirm that your business was not in financial trouble at 31 December 2019 and that you haven't been given a loan under one of the other coronavirus loan schemes (discussed below).

Once you have the loan, you won't have to make a repayment within the first 12 months. The government will cover any fees and interest accruing in that first year. The interest charged on these loans will be set at 2.5%.

The Chancellor has also announced that the terms of the loan will be made flexible for the business under a "Pay as You Grow" flexible payment system. The term of the loan can be set to up to ten years and the lender should offer payment holidays and interest-only periods on request.

The Bounce Back loans carry a 100% government guarantee, so there is no need for the business owner to provide collateral, or to prove that the business will be viable once the coronavirus crisis is over.

If you have received a loan of up to £50,000 under the CBILS, you can apply before 4 November 2020 to transfer it into the Bounce Back Loan Scheme.

Future Fund

This scheme provides funding to private companies, where the advance can be matched by private investors in those companies. The company can apply even if it has not made a profit or it has not made its first sales.

The loan provided may range from £125,000 to £5m and can be convertible into equity. Applications for this fund will close on 30 November 2020.

A company can qualify for funding under this scheme if:

- it was incorporated in the UK on or before 31 December 2019, or is an overseas parent company incorporated before that date
- it has raised at least £250,000 in equity investment from third-party investors in the period 1 April 2015 to 19 April 2020
- it does not have any of its shares or other securities listed on a regulated market, a multilateral trading facility, a recognised investment exchange and/or any other similar market, stock exchange or listing venue
- where the company is part of a corporate group, it is the parent company

Also, the company must either have at least half of its employees based in the UK or raise at least half of its sales revenue from UK customers.

There are additional conditions where the parent company is not based in the UK.

The money raised under the future funds must not be used by the company to:

- repay any borrowings from a shareholder or a shareholder-related party (other than the repayment of any borrowings pursuant to any bank or venture debt facilities)
- pay any dividends or other distributions
- pay any bonus or other discretionary payment to any employee, consultant or director of the company, other than as contracted prior to the date of the finance and as paid by the company in the ordinary course of business (this applies for the first 12 months of the finance agreement);
- pay any advisory or placement fees, or bonuses to any corporate finance entity or investment bank or similar service provider, on monies advanced by the Future Fund

Coronavirus Business Interruption Loan Scheme (CBILS)

These loans are delivered by the British Business Bank to provide support to primarily medium-sized businesses.

Finance of up to £5 million per business can be advanced or supported under this scheme, in the form of term loans, overdrafts, invoice finance or asset finance. Applications can be made up until 30 November 2020.

You are eligible to use CBILS if your business meets all these criteria:

- it is UK-based
- has turnover of up to £45 million per year
- would be viable were it not for the coronavirus crisis; and
- has been adversely affected by the coronavirus pandemic

Where the financial support is taken as a loan, the repayment term can be set at up to ten years. Businesses can access the first 12 months of that finance interest-free and charge-free, as the government will cover the first 12 months of interest payments and any lender-levied charges.

The government is providing the lenders with a guarantee of 80% on each loan (subject to a per-lender cap on claims) to give lenders confidence in continuing to provide finance to SMEs.

The borrower remains fully liable for the debt, but the lender should not demand a personal guarantee as security for loans of up to £250,000.

Personal guarantees may still be required, at a lender's discretion, for facilities above £250,000, but they exclude the borrower's principal home. Recoveries under these guarantees are capped at a maximum of 20% of the outstanding balance of the CBILS facility, after the proceeds of business assets have been applied.

For all facilities, including those over £250,000, CBILS can now support lending to smaller businesses, even where a lender considers there to be sufficient security, making more smaller businesses eligible to receive the Business Interruption Loan.

How to access the scheme

The full rules of the scheme and a list of accredited lenders is available here: https://tinyurl.com/ujhq5k9.

All the major banks are offering the scheme and there are 40 accredited providers in all, which include high street banks, challenger banks, asset-based lenders and smaller specialist local lenders.

You should talk to your bank or finance provider (not the British Business Bank) as soon as possible and discuss your business plan with them. If one lender turns you down, you can still approach other lenders within the scheme.

Coronavirus Large Business Interruption Loan Scheme (CLBILS)

This loan scheme is for businesses with annual turnover over £45 million. These businesses are too large to apply for the CBILS and too small for a government debt-buying programme for larger companies.

Support provided under CLBILS also carries a government guarantee of 80%, enabling banks to make loans of up to £25m to firms with an annual turnover of between £45m and £250m. Where turnover is above £250m, loans of up to £50m may be made.