

# Winter Economy Plan

## Coronavirus (COVID-19) Support Update

24 September 2020

### **JOB SUPPORT SCHEME**

A new Job Support Scheme has been announced to replace the current Job Retention Scheme which is due to end on 31<sup>st</sup> October 2020. The new Job Support Scheme starts on 1<sup>st</sup> November 2020 and will run for 6 months through to the end of April 2021. How it will work:

- The government will subsidise the wages of employees who are working fewer than normal hours for businesses affected by COVID-19 and suffering reduced demand.
- To be eligible for the scheme, employees will need to work a minimum of 33% of their hours. The employee will be paid in full for these hours by the employer as normal.
- For the remaining hours not worked by the employee, the employee will receive 67% pay for these hours. This will be structured whereby, 1/3 is paid by the employer, 1/3 is paid by the government via a grant and the remaining 1/3 is unpaid.
- Employee's effective salary based on working 33% hours, will be 77% of their normal salary – 55% paid by employer and 22% paid by the government Job Support Scheme.
- The level of grant will be calculated based on an employee's usual salary, capped at a maximum of £697.92 per month. This will be reimbursed in arrears for the government contribution.
- For any employee to be considered for the scheme, they must not be on a redundancy notice.
- All small and medium sized businesses are eligible for the scheme.
- For larger businesses to be eligible, they must demonstrate that their business has been adversely affected by COVID-19. The government will also expect that large employers will not be making capital distributions, such as dividends, while using the scheme.
- Businesses can use the new Job Support Scheme even if they have not previously used the Job Retention Scheme.

## **SELF-EMPLOYMENT INCOME SUPPORT SCHEME (SEISS)**

The existing SEISS scheme for the self-employed is being extended for a further 6 months through to April 2021. What's being offered:

- An additional 2 taxable grants, covering the periods, November to January 2021 and February to April 2021.
- The grants will be limited to only those self-employed individuals who are currently eligible for the SEISS and are actively continuing to trade but are facing reduced demand due to COVID-19.
- The first grant covering the period November to January 2021 will be calculated at **20%** of average monthly net trading profits (based on same calculation method as the first two grants received), paid in a single instalment covering 3 months. This will be capped at a maximum of £1,875.
- The second grant covering the period February to April 2021, will be determined at a later date by the government, taking into consideration the effects of the pandemic restrictions on businesses in the coming months.

## **VAT**

### **VAT cut for hospitality & tourism**

The 15% reduction in VAT from 20% to 5% for the hospitality and tourism sector, which was due to end on 13<sup>th</sup> January 2021 has now been extended to 31<sup>st</sup> March 2021.

### **VAT Deferral**

The government will launch a new payment scheme, which will give businesses who deferred VAT liabilities due between the period March to 31<sup>st</sup> May 2020, the option to spread these liabilities over the financial year 2021-22. Originally due to be settled in full with a lump sum payment by 31<sup>st</sup> March 2021, the new payment scheme sets out:

- to spread the liability over 11 equal instalments from April 2021.
- no interest charged - instalments will be interest-free.
- all businesses which took advantage of the VAT deferral are eligible – no eligibility restrictions.
- Businesses will need to 'opt-in' to the scheme. HMRC will put in place an 'opt-in' process in early 2021.

## **CORONAVIRUS BANK LOANS**

### **Extension to application dates**

The government has announced an extension of the application deadlines for each of the following to **30<sup>th</sup> November 2020**:

- Bounce Back Loan Scheme (BBS) – extended from 4<sup>th</sup> November 2020.
- Coronavirus Business Interruption Loan Scheme (CBILS) – extended from 30<sup>th</sup> September 2020.
- Coronavirus Large Business Interruption Loan Scheme (CLBILS) – extended from 20<sup>th</sup> October 2020.
- Future Fund – extended from 30<sup>th</sup> September 2020.

### **Pay as you Grow**

A new flexible repayment system has been announced to assist businesses with repaying their business loans and reduce pressure on finances. Under the new Pay as you Grow options:

- **Bounce Back Loans**
  - Loan terms can now be extended from six years to **ten years**, which will effectively cut monthly repayments by almost half.
  - Businesses who are struggling can opt to temporarily switch to interest-only payments for a period of up to six months. This option can be exercised up to three times during the loan term.
  - Businesses who are struggling can opt pause their repayments entirely for a period of up to six months. This option can be only exercised once during the loan term and only after having made six repayments.
  - Business credit ratings will not be affected by taking advantage of the Pay as you Grow system.
- **Coronavirus Business Interruption Loans**
  - The government intends to extend their guarantee on these loans for up to ten years to allow CBILS lenders greater flexibility on repayment terms and provide businesses with more time to repay.

## **SELF-ASSESSMENT INCOME TAX**

### **Enhanced Time to Pay for Self-Assessment taxpayers**

The government will give self-assessment taxpayers additional time to settle taxes due in January 2021. Guidance states:

- Taxpayers with up to £30,000 of self-assessment tax due will be eligible to use HMRC's self-service 'Time to Pay' facility.
- Liabilities can be spread over a maximum of 12 months, to be settled by 31 January 2022.
- This **includes** July 2020 payments on account which have been deferred and were due to be paid by 31<sup>st</sup> January 2021.