



# Covid-19 measures for business

## Coronavirus Job Retention Scheme (CJRS)

Some form of job support scheme had been expected after the 17 March announcement and the CJRS is similar to schemes that have already been set up elsewhere in Europe. Under the CJRS, “HMRC will reimburse 80% of a furloughed worker’s wage costs, up to a cap of £2,500 per month’, provided the worker was on the employer’s PAYE payroll on 28 February 2020.

In this context ‘furloughed workers’ are non-working employees (including part timers and employees on agency, flexible or zero hours contracts) who are kept on the payroll, rather than being laid off. The employer has to designate these employees and submit relevant information to HMRC via a “new online portal”. The HMRC payments will cover 80% of “usual monthly wages” plus the associated Employer National Insurance contributions and minimum automatic enrolment employer pension contributions on that wage.

The CRJS is available to one person companies whose director/owner furloughs themselves. However, only salary is covered, not dividends, and like all other furloughed workers, the director “cannot undertake work for or on behalf of the organisation”. According to press reports the Treasury nevertheless accepts that the director may continue with their statutory obligations in that role.

## Statutory sick pay (SSP)

Businesses with fewer than 250 employees as at 28 February 2020 will be refunded the full cost of providing SSP to any employee off work for up to 14 days because of coronavirus.

## Loan guarantees

A government-backed loan guarantee scheme announced in the Budget has since been regularly extended and enhanced. The Government will now provide loan guarantees up to “an initial” £330 billion for all sizes of businesses. In all instances businesses remain responsible for repaying any facility they may takeout – any guarantees are for the lender:

- For large firms (with more than £4 5million turnover), the Bank of England has launched a Covid Corporate Financing Facility (CCFF), which “will provide funding to businesses by purchasing commercial paper of up to one-year maturity, issued by firms making a material contribution to the UK economy”. The company must satisfy Bank of England lending criteria, which originally meant having an investment grade credit rating from a ratings agency but has since been changed to also allow lending banks to judge credit worthiness. However, the ultimate decision remains with the Bank of England. As at 3 April, about £3.5 billion had either been provided or committed.
- For medium sized businesses (turnover between £45 million and £500 million) On 3 April the Chancellor announced the Coronavirus Large Business Interruption Loan Scheme (CLBILS). The scheme is due to launch later in April and will fill a finance gap that had emerged between the two existing loan support schemes. The CLBILS will have a loan ceiling of £25 million and is targeted at businesses that are too large for the CBILS (see below) but fail to meet the criteria for the CCFF. The new scheme will provide a government guarantee of 80% on individual loans and other forms of finance (e.g. overdrafts) for businesses.

The aim is to provide support for businesses that were viable before the Covid-19 pandemic but now face significant cash flow difficulties that would otherwise make their business unviable in the short term. Lenders will be expected to conduct their usual credit risk checks and charge commercial rates of interest.

- For small and medium sized businesses (turnover up to £45m) The loan limit on the Coronavirus Business Interruption Loan Scheme (CBILS) is now £5 million, with no interest charged for the first twelve months and lender-levied fees will be covered. The scheme is delivered through 40 accredited commercial lenders, backed by the British Business Bank. Eligible SMEs must be UK-based and meet “the other British Business Bank eligibility criteria”. The government has made clear that this now means the CBILS is available to all SME businesses affected by Covid-19 and not just those unable to secure regular commercial financing elsewhere. Lenders cannot require personal guarantees on borrowing of under £250,000, nor can primary residential property be taken as security under the scheme. When a personal guarantee is required, it is capped at 20% of the outstanding value of the loan. As at 3 April, the CBILS had provided £90 million of loans to nearly 1,000 businesses.

### **Deferral of VAT and Income Tax Payments**

For the period between 20 March 2020 and 30 June 2020, businesses will not be required to make a VAT payment. Instead they will be able to defer this payment until the end of the 2020/21. VAT refunds and reclaims will be paid by the government as normal. No applications will be required as the process will be automatic.

Self assessment income tax payments due on the 31 July 2020 (the second payment on account for 2019/20) will be deferred until the 31 January 2021. This also will not require an application and is not limited to just the self-employed, although the Treasury says “If you are still able to pay your second payment on account on 31 July you should do so”. Penalties and interest for late payment will not be charged in the deferral period.

### **Business Rates Retail Discount**

All shops, cinemas, restaurants, music venues and business operating in the leisure and hospitality sectors will have no business rates to pay in 2020/21.

On 17 March the Chancellor also promised an additional cash grant of “up to £25,000 per business” to businesses with a rateable value of less than £51,000 – i.e. those that would have benefited from the old version of the Business Rates Retail Discount Scheme.

## **Businesses already eligible for small business rates relief (SBRR)**

There will be a flat £10,000 cash grant for each business based in England that already benefits from zero or reduced business rates because of small business rate relief.

## **Nursery businesses that pay business rates**

For nursery school businesses based in England, there will be a business rates holiday for 2020/21. The nursery property must be:

- occupied by providers on Ofsted's Early Years Register
- wholly or mainly used for the provision of the Early Years Foundation Stage.

## **Commercial insurance**

The question of the extent to which any insurance policy provides cover for the Covid-19 outbreak has proved contentious. Pandemic cover is not a feature of most business disruption cover, a point underlined by the Association of British Insurers (ABI) in a statement it issued on 17 March. The ABI has since launched an information hub dealing with the impact of the virus on a range of insurance policies, from trade credit to private health.

## **Off-payroll working in the private sector (IR35)**

On 17 March, the Chief Secretary to the Treasury, Steve Barker, said in a statement to the House of Commons that the start date for the new IR35 tax rules would be deferred to 6 April 2021.

## **Time to Pay (TTP)**

In the Budget, the Chancellor announced that HMRC would scale up its Time To Pay service, giving businesses and the self-employed the chance to defer tax payments.

## **Protection from property forfeiture**

Commercial tenants who cannot pay their rent because of COVID-19 are protected from forfeiture of their business property if they miss a payment up until 30 June 2020.

## **Going concern**

The Financial Reporting Council (FRC) has issued financial guidance in conjunction with the Financial Conduct Authority (FCA) and Prudential Regulatory Authority. This includes extensive information for auditors covering areas such as how to deal with the question of whether a business is a going concern.

## **Wrongful Trading and business restructuring**

On 28 March the UK Business secretary announced changes to insolvency law "to enable UK companies undergoing a rescue or restructure process to continue trading, giving them breathing space that could help them avoid insolvency".

The wrongful trading law is being temporarily suspended, retrospective from 1 March 2020, for three months. This gives company directors the ability to keep their businesses in being without risking personal liability.

We hope you find this information useful. If we can help you please do not hesitate to contact us on 01603 789966 or email [enquiries@smith-pinching.co.uk](mailto:enquiries@smith-pinching.co.uk)