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Global Tax Alert

UK takes additional action in response to COVID-19

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Less than a week after presenting Budget 2020,[1] on 17 March, the United Kingdom (UK) Chancellor, Rishi Sunak, announced a wide-ranging package of further measures to support businesses and individuals affected by the outbreak. These included £330b of Government-backed and guaranteed loans to businesses through two main schemes:

- To support liquidity among larger firms, there will be a new lending facility to provide low cost, easily accessible commercial paper.
- To support lending to small and medium sized businesses, the new Business Interruption Loan Scheme announced at the Budget last week, will now provide loans of up to £5 million, with no interest due for the first six months.

The Chancellor promised that both schemes will be up and running by the start of next week.

He went on to announce that the 2020-21 business-rates holiday offered at Budget 2020 for retail, hospitality and leisure businesses with a rateable value of less than £51,000 will now be extended to all businesses in this sector, regardless of their size. There will be an increase in the grants to small businesses eligible for Small Business Rate Relief from £3,000 to £10,000 and further £25,000 grants to retail, hospitality and leisure businesses operating from smaller premises, with a rateable value over £15,000 and below £51,000. Guidance on the details of the reliefs will be released on 20 March.

Building a better working world

For individuals, the Chancellor promised that for those in difficulty due to the COVID-19 outbreak, mortgage lenders will offer at least a three-month mortgage holiday and that he would work with trade unions and business groups to urgently develop new forms of "employment support" to help protect people's jobs and incomes through this period.

From a tax perspective, there were no changes proposed to the way "Time to Pay" arrangements operate. The current process for deferring tax liabilities provides immediate relief, but, even with the newly dedicated resource, is potentially a time consuming and uncertain process. By making it available automatically on request, the Chancellor could remove a huge area of concern for business.

The UK Government did however confirm that it is postponing the reforms to the off-payroll working rules (IR35) by a year to 6 April 2021, in response to the ongoing spread of COVID-19. It sought to be clear that this move is a deferral, not a cancellation of the reforms and said that it remains committed to them.

It seems there will be more measures as the Chancellor promised he would set out the next stage of the Government's response in the coming days. The announcement on 17 March was addressed to those sectors most affected to date by the COVID-19 outbreak and the resultant "social-distancing" policy. Those in other sectors will want to know what the Chancellor would do for them next, if the economic impact spreads, while the detail of what might be provided by way of employment support will be keenly anticipated by many.

Endnote

1. See EY Global Tax Alert, *UK issues 2020 Budget*, dated 13 March 2020.

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