

UK Government announces new COVID-19 support measures

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On 24 September 2020, the United Kingdom (UK) Chancellor announced various measures to support the economy over the winter months in light of the resurgence of the COVID-19 virus.

This Alert provides a high-level summary of the announcements.

A new Job Support Scheme

The new scheme will run from 1 November 2020 for six months. It will directly support the wages of people in work, giving businesses which face depressed winter demand the option of keeping employees in a job for less hours rather than eliminating their role. The scheme will support viable jobs so employees must be working at least a third of their normal hours and be paid for that work, as normal, by their employer. The minimum level of at least 33% of the employee's usual hours will apply during the first three months. The minimum level of hours will be reviewed by the Government at a later date for the remaining months.

The Government, together with employers, will increase those people's wages covering two-thirds of the pay that they have lost by reducing their working hours. For the hours not worked, the Government and the employer will each fund one third of their equivalent salary. This means employees who can only go back to work on a reduced schedule will still be paid two thirds of pay for

those hours they cannot work. The example given is that employees working the minimum 33% of their normal hours will get 77% of their normal pay (but only 22% of that will come from the Government).

Technically, in the example above, the employer will pay the 77% to the employee and will claim a grant from the Government equivalent to 22%. Employers will need to pay employer National Insurance costs and auto-enrollment pension contributions on the amounts paid to the employee. Any employee who is registered on the PAYE (Pay As You Earn) payroll on or before 23 September 2020 is eligible. Claims will open in December and grants will be paid on a monthly basis from this date. The level of grant will be calculated based on the employee's usual salary, capped at £697.92 per month.

All small- and medium-sized businesses are eligible to apply. Large businesses will be required to demonstrate that their business has been adversely affected by COVID-19, and the Government expects that large employers will not be making capital distributions, such as dividends, while using the scheme. Businesses are eligible even if they have not previously used the furlough scheme.

Employers retaining furloughed staff on reduced hours can claim both the Job Support Scheme and the Jobs Retention Bonus.

Self-employment

The Chancellor will also be extending the Self Employment Income Support Scheme (SEISS). An initial taxable grant will be provided to those who are currently eligible for SEISS and are continuing to actively trade but face reduced demand due to coronavirus. The initial lump sum will cover three months' worth of profits for the period from November to the end of January next year. This is worth 20% of average monthly profits, up to a total of £1,875.

An additional second grant, which may be adjusted to respond to changing circumstances, will be available for self-employed individuals to cover the period from February 2021 to the end of April.

Value Added Tax (VAT) rates

The Government will cancel the planned increase in VAT back to 20% for the hospitality and tourism sector, due to happen on 13 January. It will keep the lower 5% VAT

rate until 31 March 2021. The 5% VAT rate will continue to apply to supplies of food and non-alcoholic drinks from restaurants, pubs, bars, cafés and similar premises, supplies of accommodation and admission to attractions across the UK.

Tax deferrals

VAT payments deferred from earlier this year are due to be paid in one lump sum in March 2021. Instead, the Government will allow businesses to spread their VAT bill over 11 repayments in the 2021-22 financial year, with no interest to pay. HM Revenue & Customs (HMRC) will put in place an opt-in process in early 2021.

Self-assessed income taxpayers (with up to £30,000 of income tax liabilities) can also benefit from a separate additional 12-month extension from HMRC on the "Time to Pay" self-service facility, meaning payments deferred from July 2020, and those due in January 2021, will now not need to be paid until January 2022.

Government loan support

To give small businesses more time and greater flexibility to repay their Bounce Back loans, the Government is introducing Pay as You Grow.

- ▶ Businesses can extend loans from 6 to 10 years
- ▶ Businesses can choose to make interest only payments for a period of up to six months (an option which they can use up to three times)
- ▶ Businesses can apply to suspend payments for up to six months (an option they can use once and only after having made six payments)
- ▶ The Government has said that the above measures won't affect credit rating

The Chancellor noted that the Government guarantee provided under the Coronavirus Business Interruption Loan Scheme would be extended, giving scheme lenders the ability to extend the length of loans from a maximum of 6 years to 10 years if it will help businesses to repay the loan.

To give businesses longer to apply for all of the Government loan schemes, the deadlines will be extended (it now seems until the end of November 2020). The Government is starting work on a new, successor loan program, set to begin in January 2021.

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