

The Chancellor's 2020 Winter Economy Plan.

September 24th, 2020



The Government has announced a further raft of measures to help the economy, and very welcome they are. We are now facing a further period of 6 months during which businesses and jobs will get support, whilst the NHS hopefully get some relief from previous pressures.

At the same time people are being advised to work from home if they can. As always, the support is welcome, even though it won't help everyone and some people will continue to fall between the cracks. We have set out the main elements of what has been announced below and hope that they will assist all of you to some degree.

The support measures come on the back of announcements that we face a further 6 months of personal restrictions - whilst some of the restrictions appear conflicting or confusing, most seem designed to keep the economy open for business as far as possible, whilst hopefully avoiding the worst impact of a second wave.

The support measures also come on the back of the Autumn budget being cancelled - it is most likely going to happen in mid-2021 now. They probably did not want to detail the tax rises that will be inevitably required to pay for the current economic crisis (costing almost £400 billion) when we still do not know where the economy will land (we might know this in early 2021). It is probably right to cancel the Budget on that basis, albeit it is an historic event to cancel a Budget.

As I said, not everyone will get the support they need, but the team at Carbon is here to help - so please do contact me if you have any questions or concerns.

In his statement, Rishi Sunak announced the next stage of help and support for jobs and businesses. The aim is to steer the economy through what he described as a "difficult winter" after the hard decision to end the furlough scheme. As the Chancellor said in his introduction:

"It will not be possible to preserve every job or business indefinitely, nor stand in the way of the economy adapting and people finding new jobs, or starting new businesses. But the steps the government is taking will help protect jobs, support businesses through uncertain times, and prepare them for recovery."

Mr Sunak announced the following main measures. As always, the devil is in the detail and we will continue to update you as and when more information is available on any or all of the below.

A New Jobs Support Scheme (JSS)

Under the scheme, eligible employees will be expected to work for at least one third of their normal hours and be paid for that by their employer. The government (up to a maximum of £697.92 per month) and the employer will then each pay one third of the employee's usual pay rate for the hours not worked and the remaining third will not be paid. This is targeted at sustaining "viable jobs". An employer cannot claim for an employee who is on notice of redundancy. The employer will be reimbursed in arrears for the government contribution.

All small and medium-sized enterprises (SMEs) will be eligible. Large businesses will need to demonstrate they have been adversely affected by Covid-19. The Government expects that large employers will not be making capital distributions such as dividends while using the scheme.

The scheme will run for six months from November. Claims for the JSS will not affect eligibility for payment of the £1,000 Job Retention Bonus announced in July and due from February 2021.

Business Finance

Help with businesses' cash flow will come from extensions to the Bounce Back Loan Scheme and other initiatives. The closing application date for the four main loan schemes will be extended to 30 November.

Bounce Back Loan Scheme (BBLs)

Under new 'Pay as You Grow' options for BBLs:

- New and existing borrowers will have the option to repay their loan over a period of up to ten years.
- UK businesses will also have the option to move temporarily to interest-only payments for periods of up to six months. This option can be used up to three times.
- Alternatively, businesses can pause their repayments entirely for up to six months, although this option is only available after six payments have been made and can be used just once.

Coronavirus Business Interruption Loan Scheme (CBILs)

CBILS lenders will be allowed to extend the term of a loan up to ten years, while retaining the benefit of the 80% government guarantee.

Coronavirus Large Business Interruption Loan Scheme (CLBILS)

The Coronavirus Large Business Interruption Loan Scheme (CLBILS) will continue in its current form until the end of November.

Future Fund

The operation of the Future Fund, which provides matching convertible loans to innovative businesses, will continue in its current form until the end of November.

Covid-19 Corporate Financing Facility

The Covid-19 Corporate Financing Facility, targeted at large businesses and operated by the Bank of England, will remain open until 22 March 2021. Where a company has exhausted all other options, and is of strategic importance to the UK, the government may also consider providing bespoke financial support.

Tax

Temporary VAT cut for hospitality and tourism

The reduced (5%) rate of VAT will continue to apply to supplies of food and non-alcoholic drinks from restaurants, pubs, bars, cafés and similar premises, and to supplies of accommodation and admission to attractions across the UK until 31 March 2021 rather than ending on 12 January 2021.

VAT deferral

A 'New Payment Scheme' for VAT deferral will offer businesses that deferred VAT due in March to June 2020 the option to spread their payments over the financial year 2021/22 in 11 equal instalments. All businesses that took advantage of the VAT deferral are eligible and can use the scheme. However, they will need to opt in using a process HMRC will launch in "early 2021".

Self-Assessment Tax Deferral - Enhanced Time to Pay

The self-employed and other taxpayers will be given more time to pay taxes due in January 2021, building on the self-assessment deferral provided for payments on account in July 2020.

Taxpayers with up to £30,000 of self-assessment liabilities due will be able to use HMRC's self-service Time to Pay facility to secure a plan to pay over an additional 12 months. This means that self-assessment liabilities originally due in July 2020 will not need to be paid in full until January 2022. Any self-assessment taxpayer not able to pay their tax bill on time, including those who cannot use the online service, can continue to use HMRC's Time to Pay Self-Assessment helpline to agree a payment plan.