



Winter Economy Plan

On Thursday 24 September Chancellor Rishi Sunak provided some details of the government's plan to protect jobs and support businesses over the coming months. We set out the main announcements below.

Job Support Scheme

The existing job support scheme – the furlough scheme – comes to an end on 31 October. The government will be introducing a new Job Support Scheme from 1 November 2020.

For employers to participate in the scheme:

- employees will need to work a minimum of 33% of their usual hours
- for every hour not worked, the employer and the government will each pay one third of the employee's usual pay
- the government contribution will be capped at £697.92 per month.

Employees using the scheme will receive at least 77% of their pay, where the government contribution has not been capped. The employer will be reimbursed in arrears for the government contribution. The employee must not be on a redundancy notice.

The scheme will run for six months from 1 November 2020 and is open to all employers with a UK bank account and a UK PAYE scheme. It will be open to such businesses even if they have not previously used the furlough scheme.

All small and medium-sized enterprises will be eligible. Large businesses will be required to demonstrate that their business has been adversely affected by COVID-19. The government also expects that large employers will not be making capital distributions (such as dividends), while using the scheme.

The Job Support Scheme will sit alongside the Jobs Retention Bonus which was announced by the Chancellor in July. The Bonus will provide a one-off payment of £1,000 to UK employers for every furloughed employee who remains continuously employed through to the end of January 2021 and who earns at least £520 a month on average between the 1 November 2020 and 31 January 2021. Businesses can benefit from both schemes.

Support for the self-employed

The Self-Employment Income Support Scheme (SEISS) will be extended under the name SEISS Grant Extension. The grant:

- will be limited to self-employed individuals who are currently eligible for the SEISS, and
- who are actively continuing to trade but are facing reduced demand due to COVID-19.

The scheme will last for six months, from November 2020 to April 2021, and will consist of two grants. The first grant will cover a three-month period from the start of November until the end of January. This initial grant will cover 20% of average monthly trading profits, paid out in a single instalment covering three months' worth of profits, and capped at £1,875 in total. The second grant will cover a three-month period from the start of February until the end of April. The government will review the level of the second grant and set this in due course.

The amount of the first grant under the SEISS grant extension will be significantly less than the grants made under the SEISS. The initial SEISS grant was based on 80% of profits (capped at £7,500) and the second SEISS grant was based on 70% of profits (capped at £6,570).

Temporary VAT reduced rate for hospitality and tourism

The government is extending the temporary reduced rate of VAT (5%) from 12 January to 31 March 2021. This 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.

VAT deferral

Over half a million businesses deferred VAT payments, which were due in March to June 2020, with these payments becoming due at the end of March 2021.

The government has now announced the option for such businesses to spread their payments over the financial year 2021/22. Businesses will be able to choose to make 11 equal instalments over 2021/22. All businesses which took advantage of the VAT deferral can use the spreading scheme. Businesses will need to opt in and HMRC will put in place an opt-in process in early 2021.

Enhanced Time to Pay for self assessment taxpayers

Taxpayers were able to defer the income tax self assessment payment on account for 2019/20, due by 31 July 2020, to 31 January 2021. There are also other amounts due on 31 January 2021 – a balancing payment for the 2019/20 tax year and the first payment on account for the 2020/21 tax year.

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 due in July 2020, and those due in January 2021, 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.

The Bounce Back Loan Scheme (BBSL)

The BBSL has provided support to many UK-based small businesses. Loans are between £2,000 and £50,000, capped at 25% of turnover, with a 100% government guarantee to the lender. The borrower does not have to make any repayments for the first 12 months, with the government covering the first 12 months' interest payments. Under a Pay as you Grow scheme businesses will have options to:

- repay their loan over a period of up to ten years
- move temporarily to interest-only payments for periods of up to six months (an option which they can use up to three times)
- pause their repayments entirely for up to six months (an option they can use once and only after having made six payments).

Coronavirus Business Interruption Loan Scheme (CBILS)

The CBILS provides loan facilities to UK-based businesses with turnover under £45 million. The scheme provides loans of up to £5 million with an 80% government guarantee to the lender. The government does not charge businesses for this guarantee and also covers the first 12 months of interest payments and fees.

The government intends to allow CBILS lenders to extend the term of a loan up to ten years.

Extension of access to finance schemes

The government is extending the BBLS and the CBILS to 30 November 2020 for new applications.

Applications for the Coronavirus Large Business Interruption Loan Scheme and the Future Fund will also be extended.

How we can help

Further technical details of the schemes will be published by the government but no date has been announced as to when. Please be assured we will be here to provide you with support and please contact us if you have any queries on the measures announced.

Geoghegans

Our mailing address is:

Geoghegans Chartered Accountants
6 St Colme Street, Edinburgh
EH3 6AD
United Kingdom
T +44 (0)131 225 4681