



Coronavirus - Government Funding

A summary of UK
schemes

National Association of Independent
Accountants & Business Advisers

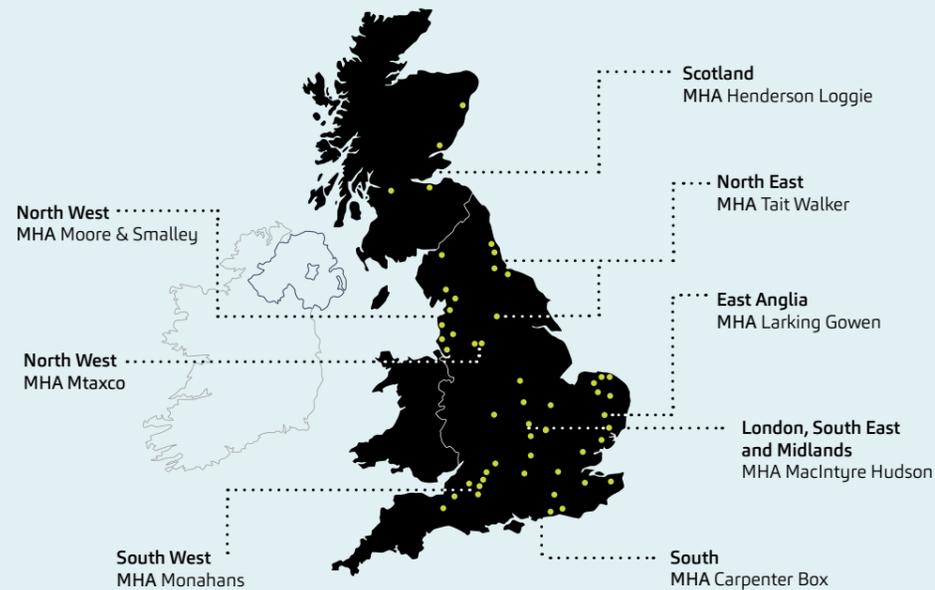
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This information is correct at time of Issue March 2020

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Coronavirus Job Retention Scheme



Payroll support for all firms and enterprises in the UK

Grant support to cover up to 80% of salary costs of anyone not working due to Coronavirus but whose job has been retained

- Maximum claim of £2,500 per month.
- Salary backdated to 1 March 2020.
- Initial period of 3 months, but this has now been extended until the end of June.
- No limit on the total level of funding available.
- Ambition for first grants to be "paid within weeks" with a scheme "in place" by the end of April 2020.

Overview

The CJRS is focussed around encouraging employers to "furlough" staff rather than laying them off. The term "furlough" isn't well known in the UK, but it is widely understood in (for example) the US economy. It refers to an involuntary temporary leave of absence which is imposed due to special needs of the company or employer.

The purpose of the CJRS is to encourage employers to stand down employees in a temporary fashion on furloughs rather than laying staff off.

HMRC will reimburse 80% of furloughed workers wage costs, up to a cap of £2,500 per month. Both the Chancellor's statement and HMRC's guidance are a little ambiguous but we understand this to be a grant of up to £2,500 a month per employee.

The salary figure is based on the person's salary in February 2020. HMRC will be able to confirm this via Real Time Information.

So this would effectively mean that for a person on a salary of £37,500 (£3,125 a month in February 2020), then HMRC would pay the maximum grant of £2,500 towards that. For persons on salaries below £37,500 (£3,125 a month in February 2020), then the grant paid would be proportionately lower. For persons on annual salaries of above £37,500,

Who is eligible?

All employers are able to utilise the CJRS and there is no limitation on size of employer or sectors.

How to track your employees and claim the grants

You will need to:

- Designate affected employees as 'furloughed workers,' and notify your employees of this change. Changing the status of employees remains subject to existing employment law and, depending on the employment contract, may be subject to negotiation.
- Submit information to HMRC about the employees that have been furloughed and their earnings through a new online portal. HMRC will set out further details on the information required.

the grant per month would be capped at £2,500 and so the additional monthly cost of having that person on furlough would have to be borne by the employer.

The CJRS will be backdated to 1 March 2020 and will operate for at least April, May and June 2020. However, the Chancellor has confirmed it will be extended if required.

HMRC say they are working urgently to set up a system for reimbursement. Existing systems are not set up to facilitate payments to employers. HMRC expect that refunds by grants will be made at the earliest from April 2020.

Additional information

There are some points that businesses should bear in mind in relation to the operation of the scheme:

1. The system for refunds does not exist and will make payments at the earliest from April 2020, so employment costs will still need to be incurred and cashflowed by the employers.
2. The grants are only of 80% of the salary cost of employees (capped at £2,500 a month) so The employer will have the option to top up the payment if they do not wish the employee to lose out on pay.
3. Based on our current understanding, the employer will still have to account for PAYE on the entire salary cost "paid" as normal, and NIC (both employers and employees) will also be due on the entire salary cost as normal. Therefore, the payroll taxes will be due on the salary amount paid to the furloughed employee ignoring the grant.
4. We understand that if a business is submitting an application under the Coronavirus Business Interruption Loan Scheme, then whether or not the staff costs for furloughed employees within a business plan should be reflected "with grant or without grant" will be at the discretion of the lender.
5. The guidance issued by the Government, which follows the statement by the Chancellor, confirms if the employer does not have to pay the furloughed employee 100% of their normal salary to be able to claim back 80% of the cost as a grant.

Covid Commercial Financing Facility (CCFF)



Support for liquidity amongst large firms

This major new scheme being launched by the Bank of England to help companies which make a material contribution to the UK economy

Overview

Companies - and their finance subsidiaries - that make a material contribution to the UK economy are able to participate in the facility.

In practice, firms that meet this requirement would normally be: UK incorporated companies, including those with foreign-incorporated parents and with a genuine business in the UK; companies with significant employment in the UK; firms with their headquarters in the UK. The Bank of England will also consider whether the company generates significant revenues in the UK, serves a large number of customers in the UK or has a number of operating sites in the UK.

Who is eligible?

The facility is open to firms that can demonstrate they were in sound financial health prior to the shock, allowing The Bank of England to look through temporary impacts on firms' balance sheets and cash flows from the shock itself. This means companies that had a short or long-term rating of investment grade, as at 1 March 2020, or equivalent. Information required.

Additional information

- Further details of the facility, including application forms, terms and conditions and operating procedures will be published on the Bank's website on Monday 23 March 2020.
- Companies that do not currently issue Commercial Paper (CP) but are capable of doing so will in principle be eligible to utilise the CP Facility, provided they meet the eligible securities criteria, in other words of investment grade standing. This means the rating agencies have assigned a BBB-/Baa3 or above rating for long term debt, and a A3/P3 or above rating for short term debt. The route the Bank of England decides to take to assess this for non-rated businesses is as yet untested yet remains critical.
- Final documentation for the scheme including a pricing schedule will also be published on 23 March 2020, when the facility will be open for drawings.

Coronavirus Business Interruption Loan Scheme (CBILS)



Financial support for small businesses

Businesses with a turnover of up to £45m can apply for loans of up to £5m

Who is eligible?

- Small businesses must be UK based, with turnover of no more than £45 million per annum and operate within an eligible industry sector. They need to have a borrowing proposal which, were it not for the current pandemic, would be considered viable by the lender, and for which the lender believes the provision of finance will enable the business to trade out of any short-to-medium term difficulty.
- The following trades and organisations are not eligible to apply: Banks, building societies, insurers and reinsurers (but not insurance brokers); The public sector including state funded primary and secondary schools; Employer, professional, religious or political membership organisation or trade unions.
- Applicants must have a sound borrowing proposal, but insufficient security to meet the lender's requirements
- Fishery, aquaculture and agriculture businesses may not qualify for the full interest and fee payment.
- Businesses also must be able to confirm that they have not received de minimis State aid beyond €200,000 equivalent over the current and previous two fiscal years
- It's simple to apply and should take no longer than a standard application. Any small business interested in CBILS should, in the first instance, approach one of the 40+ accredited lenders with their borrowing proposal (recommended approach is through the lender's website).
- Find out more: https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils/#_ftn3

Support for the hospitality and retail sector



Grants for retail, hospitality and leisure businesses

£25,000 grant

Who is eligible?

Any enquiries on eligibility for, or provision of, the reliefs should be directed to the relevant local authority. Guidance for local authorities will be published shortly. Funding will be provided via local authorities.

Overview

Businesses with a turnover of up to £45m can apply for loans of up to £5m through the British Business bank. The lending scheme allows small businesses to apply for loans from £1,000 up to £5m per company with the Government meeting interest costs for the first 12 months. Finance terms are from three months up to 10 years for term loans and asset finance and up to three years for revolving facilities and invoice finance.

The scheme provides the lender with a government-backed guarantee against 80% of the outstanding facility balance, potentially enabling a 'no' credit decision from a lender to become a 'yes'. The borrower always remains 100% liable for the debt.

The first 12 months of these loans will be interest free, as the Government will cover these payments. If the accredited lender can offer finance on normal commercial terms without the need to make use of the scheme, they will do so. Where the small business has a sound borrowing proposal but insufficient security, the lender will consider the business for support via the scheme.

Additional information

- **This is the Bank of England guaranteeing the lender, not the borrower. The application process for loans should therefore, as it is currently understood, be the same as for a normal high street loan.**

Overview

- A £25,000 grant will be provided to retail, hospitality and leisure businesses operating from smaller premises, with a rateable value between £15,000 and £51,000.

Additional information

The optimum route will be to contact one of the Economic Development Officer at your local town or city council. They should be best placed to advise on local arrangements



Rates Relief



12-month business rates holiday

Overview

The latest announcements allow for a 100% business rates discount for all retail, leisure and hospitality venues in England for the 2020/21 tax year with no limit to rateable values.

The relevant government department (Ministry of Housing, Communities and Local Government – MHLCG) has issued a Guidance Note to Local Authorities clarifying as much as possible which specific types of property are covered by the 100% relief.

We understand that the government has applied to the European Commission for an exemption from the state aid rules for the scheme.

Importantly, unoccupied properties as under existing reliefs where they become vacant during the next 12 month will be charged 100% full rates after a 3 month void rate holiday following vacation, this will continue to apply unless the rules are changed.

For the avoidance of doubt, properties which have closed temporarily due to the government's advice on COVID19 should be treated as occupied for the purposes of this relief.

How to apply?

There is no action for you. This will apply to your next council tax bill in April 2020. However, local authorities may have to reissue your bill automatically to exclude the business rate charge. They will do this as soon as possible.

Who is eligible?

You are eligible for the business rates holiday if:

- your business is based in England
- your business is in the retail, hospitality and/or leisure sector

Properties that will benefit from the relief will be occupied hereditaments that are wholly or mainly being used:

- as shops, restaurants, cafes, drinking establishments, cinemas and live music venues
- for assembly and leisure
- as hotels, guest & boarding premises and self-catering accommodation

Support for businesses that pay little or no business rates

- One off grant of £10,000

Overview

The government will provide additional Small Business Grant Scheme funding for local authorities to support small businesses that already pay little or no business rates because of small business rate relief (SBBR), rural rate relief (RRR) and tapered relief. This will provide a one-off grant of £10,000 to eligible businesses to help meet their ongoing business costs.

Who is eligible?

You are eligible if:

- your business is based in England
- you are a small business and already receive SBBR and/or RRR
- you are a business that occupies property

How to apply?

If you think you are eligible you do not need to do anything. Your local authority will write to you if you are eligible for this grant.

Any enquiries on eligibility for, or provision of, the reliefs and grants should be directed to the relevant local authority.

Statutory Sick Pay "SSP" for Small or medium sized businesses



Sick pay refunds for SMEs

Overview

In response to the Coronavirus outbreak, new Regulations known as The Statutory Sick Pay (General) (Coronavirus Amendment) Regulations 2020 came into force on 13 March 2020. These will remain in force for a period of 8 months. The government will bring forward legislation to allow small and medium-sized businesses (SMEs) and employers to reclaim Statutory Sick Pay (SSP) paid for sickness absence due to COVID-19. This refund will cover up to two weeks' SSP per eligible employee who has been off work because of COVID-19.

Grants will be provided by HMRC, though exact details to be announced. It is not clear if these will take the form of directly paid grants or through credits against other remittance obligations, or some combination of the two. If both partners have income above this level, the charge applies to the partner with the higher income.

Who is eligible?

Employers with fewer than 250 employees will be eligible. The size of an employer will be determined by the number of people they employed as of 28 February 2020.

Further information

Employers will be able to reclaim expenditure for any employee who has claimed SSP (according to the new eligibility criteria) as a result of COVID-19.

Employers should maintain records of staff absences, but employees will not need to provide a GP fit note.

The eligible period for the scheme will commence the day after the regulations on the extension of Statutory Sick Pay to self-isolators comes into force.

The government will work with employers over the coming months to set up the repayment mechanism for employers as soon as possible. Existing systems are not designed to facilitate employer refunds for SSP.

Time to pay arrangements



Breathing room for your payments

Who is eligible?

All businesses and self-employed people in financial distress, and with outstanding tax liabilities, may be eligible

Deferral of VAT



VAT payments can be deferred to 5 April 2021

Who is eligible?

All UK businesses are eligible.

This is an automatic offer with no applications required. Businesses will not need to make a VAT payment during this period. Taxpayers will be given until the end of the 2020 to 2021 tax year to pay any liabilities that have accumulated during the deferral period. VAT refunds and reclaims will be paid by the government as normal.

HMRC have also scaled up their Time to Pay offer to all firms and individuals who are in temporary financial distress as a result of Covid-19 and have outstanding tax liabilities.

Overview

- All businesses and self-employed people in financial distress, and with outstanding tax liabilities, may be eligible to receive support with their tax affairs through HMRC's Time To Pay (TTP) service.
- TTP has been available to businesses for over a decade, but HM Treasury has announced a stepping up of resource and a specific COVID-19 helpline that businesses can call.
- TTP allows a business to defer current (as opposed to prospective) tax debts (principally corporation / income tax, payroll taxes and VAT – but theoretically any other tax or duty) by converting settlement to instalments over a 3-12 months period.
- As part of the process, directors are expected to provide written confirmation that the instalment will be made on time.

How to apply?

- **If you have missed a tax payment or you might miss your next payment due to COVID-19, please call HMRC's dedicated helpline: 0800 0159 559.**

Overview

The Government has announced support for businesses through deferring VAT payments stating, "We will support businesses by deferring Valued Added Tax (VAT) payments for 3 months." For VAT, the deferral will apply from 20 March 2020 until 30 June 2020. What does this mean?

Taxpayers do not have to pay their VAT between 20 March and 30 June 2020. This VAT will be repayable by the end of the 20/21 tax year, so 5 April 2021.

This will cover:

1. The routine filing cycle for quarterly VAT returns ending on 29 February, 31 March and 30 April, with filing deadlines of 7 April, 7 May and 7 June.
2. The early filing of the 29 February return before 20 March, as long as the VAT has yet to be paid to HMRC.
3. Any returns still to be filed for previous VAT periods, as long as they are filed by 30 June.
4. The early filing of the VAT return for the period ending 31 May.
5. The very prompt filing of the VAT return for the period ending 30 June.
6. Payments on account for larger businesses.
7. Payments on account for clients using the Annual Accounting scheme.
8. The payment of an assessment issued by HMRC also appears to be covered but may need further discussion with the VAT inspector involved.

On the assumption that the taxpayer is happy to benefit from this deferral, he should of course cancel any direct debit mandate before the return is due for payment

How to apply

As stated this is an automatic offer with no applications required.

How will the deferred VAT be repaid? We only have the attached guidance so far. It is assumed that the taxpayer will receive a statement of account and pay the balance owed by 5 April 2021.

Monthly repayment returns should be filed in the normal way and are unaffected by this measure.

Income Tax payment deferral



Income tax payments deferred until January 2021

Who is eligible?

The measure will apply to all self-employed individuals and we anticipate that this will also include partners in trading partnerships

Overview

Income tax payments on account due under Self-Assessment on 31 July 2020 will be deferred until 31 January 2021. This development was announced by the Government on 20 March 2020.

How to apply?

This deferral this applies automatically with no application required.

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Emergency changes to insolvency law to help UK companies survive the Coronavirus crisis

Overview

Emergency changes to insolvency law to help UK companies survive the Coronavirus crisis

The Department for Business, Energy & Industrial Strategy (BEIS) is looking to rapidly reform insolvency rules so businesses that are unable to meet debts due to the impact of coronavirus are not automatically forced to file for bankruptcy.

Under normal trading laws, company directors have a legal responsibility to keep losses to creditors at a minimum and as such, if directors knowingly trade whilst insolvent, they could incur personal liability for company debts. But in unprecedented times these laws look set to change.

The proposed amendments include offering businesses more protection from creditors in an effort to prevent mass company failures and a sharp rise in unemployment.

This move will also include enabling companies to continue buying much-needed supplies, such as energy, raw materials or broadband, while attempting a rescue, and temporarily suspending wrongful trading provisions retrospectively from 1 March 2020 for three months for company directors so they can keep their businesses going without the threat of personal liability.

The Institute of Directors (IoD) has welcomed the announcements. Jonathan Geldart, Director General of the IoD, commenting:

"We are very pleased the Government has listened to the concerns of directors and announced these welcome measures. During the current crisis, directors are facing immense challenges, and these are pragmatic steps to provide relief during this unprecedented period. The temporary suspension of 'wrongful trading' insolvency provisions will help to avert entirely preventable corporate collapses. It's absolutely right that the Government should look to prioritise jobs and business survival."

This move will be wholeheartedly welcomed by the business community and is another step forward to help UK businesses stay afloat.

If you have any concerns regarding your business, please do get in touch.



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