COVID-19: UK Government measures and practical next steps

Measures announced to 1 May 2020

Building a better working world

COVID-19: UK Government measures and practical next steps

In a series of announcements, the Chancellor has set out what he calls a package of "temporary, timely and targeted measures" to support public services, people and businesses through the disruption caused by the COVID-19 outbreak. The measures focus on supporting employment, providing cash flow support to businesses, and increasing welfare support. These measures have become increasingly substantial as the UK has moved to close some businesses, such as some in the retail, hospitality and leisure sectors.

Outside the support being provided to the NHS and the imposition of civil restrictions, the measures can be grouped into six main areas which are being delivered via three distinct channels.

Areas being addressed:

1. Providing liquidity through financing schemes
2. Helping employers to protect jobs
3. Business support through removal of fixed costs and provision of grants
4. Cash-flow support, including tax deferrals
5. Administration, including governance
6. Benefits entitlements

These aims are primarily being delivered through:

- The banking system in terms of both financing schemes that have been announced;
- The central tax system (covering cash tax deferral and employment support) as well as the local tax system (for business rates and cash grants); and
- The benefit system (for Universal Credit), though Statutory Sick Pay will be paid by employers and reimbursed to them

UK Government announced responses

Liquidity and financing

Coronavirus Business Interruption Loan Scheme (CBILS)

Helps smaller businesses affected by coronavirus to access bank lending and overdrafts if they need to. For loans up to £5 million, interest will be free for the first 12 months.

Coronavirus Large Business Interruption Loan Scheme (CLBILS)

Allows companies with turnover of between £45m and £250m to borrow up to £25m, while companies with turnover of over £250m can borrow up to £50m.

COVID-19 Corporate Financing Facility

Allows larger corporates to raise short term finance through the issuance of commercial paper purchased by the Bank of England.

Future Fund: £500 million fund for high-growth companies

Scheme to issue convertible loans to innovative companies alongside other private third party matched investor(s).

Bounce back loans

Government guaranteed loans for 25% of turnover up to a maximum of £50,000.

Cash flow measures

Tax deferrals

All businesses will automatically have their VAT payments due in the next three months, deferred until the end of the financial year.

All businesses and self-employed people in financial distress, and with outstanding tax liabilities, may also be eligible to receive support with their tax affairs through HMRC's Time To Pay service.

There is the option to defer July's payment on account for those due to pay then, including trusts and personal representatives.

Administration and welfare

Tax compliance

- HMRC has indicated that, during the "lockdown", some HMRC enquiries will be suspended. It will continue to engage with taxpayers who have an open compliance enquiry and wish to settle it

Statutory benefits

- Removal of minimum income floor for Universal Credit
- Uprating of Universal Credit
- Expansion of eligibility for Statutory Sick Pay

Fixed costs and grants

Business Rates holiday and cash grants for retail, hospitality and leisure businesses

Businesses in these sectors in England will not have to pay business rates for the 2020–21 tax year. There may also be the possibility of a cash grant of up to £25,000 per property.

Other measures

- Statutory Sick Pay rebate for small and medium sized businesses
- Small business grant funding
- COVID-19 grant schemes
- Funding for charities
- Moratorium on lease forfeiture of commercial leases for non-payment of rent until (at least) 30 June 2020

Employment support

Coronavirus Job Retention Scheme

Under this scheme, all UK employers will be able to access support to continue paying part of their employee's salary for those that would otherwise have been laid off. The scheme is backdated to 1 March and is now open to the end of June. The claim facility opened on 20 April and Government has indicated that claims will be paid within six working days.

Self-employed

The Self-employed Income Support Scheme provides a taxable grant worth 80% of trading profits up to a maximum of £2,500 a month.

The Scheme will be available for three months, but may be extended.

The online service to make claims is not available yet. HMRC will aim to contact taxpayers by mid May 2020, and will make payments by early June 2020.

Liquidity and financing: COVID-19 Corporate Financing Facility (CCFF)

The COVID-19 Corporate Financing Facility (CCFF) will purchase up to one-year duration Commercial Paper on terms comparable to those prevailing in markets before the COVID-19 economic shock.

The scheme will operate for at least 12 months and the Bank of England has committed to providing six months' notice before it withdraws the facility.

Who is eligible?

- Companies who make "a material contribution to the UK economy"
- No requirement to have previously issued Commercial Paper
- Looks at companies' credit rating pre COVID-19 to assess eligibility (as at 1 March 2020)
- Credit rating must be "Investment Grade" (ST rating of A-3/P-3/F-3 or LT rating of BBB-/Baa3/BBB-). A split rating is not eligible
- If subsequently downgraded (i.e. after 1 March 2020), company will still be eligible
- If companies do not have an existing credit rating, they can (1) seek a rating from one of the major agencies or (2) utilise incumbent banks' credit ratings subject to certain conditions:
  - Have, on average, at least three investment grade bank ratings
  - At least two investment grade bank ratings if BBB+/Baa1/BBB+ or above
- "Public undertaking" entities are not able to access the scheme
- The facility is available for large housing associations that continue to be assessed as V1 grade for viability from the Regulator for Social Housing

What does it cover?

- The CCFF will provide funding to businesses by purchasing Commercial Paper
- Minimum size of the loan is £1m with primary market purchases limited to certain amounts at different credit bands: - A1/P1/F1/R1 = up to £1bn
- Duration is one week to 12 months. Drawings can be rolled over
- Pricing should be on "comparable terms to those prevailing in the market pre COVID-19" – initial pricing seen to be the region of a 20-60bps spread over SONIA

How is it accessed?

- Full details published by the Bank of England (BoE) on Monday, 23 March 2020
- Requires a bank to help issue the Commercial Paper
- Offers to sell Commercial Paper must be submitted to the BoE between 10am and 11am

Practicalities

- Companies will need to consider if they are eligible to participate and how long it might take to be approved to participate
- If a Company does not have an existing rating, the ability to use incumbent banks' credit ratings via Credit Benchmark offers another avenue
- Requirement to obtain a credit rating or otherwise utilise incumbent banks' credit ratings will mean there is a time lag to when non-rated companies will be able to access the funding
- Finally companies will need to establish treasury team processes, set up and administer the Commercial Paper programme

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Liquidity and financing: Coronavirus Business Interruption Loan Scheme (CBILS)

The Coronavirus Business Interruption Loan Scheme (CBILS) will provide loans of up to £5 million, with no interest due for the first 12 months.

Borrowers will need to approach one of the 40+ accredited lenders.

Who is eligible?

Eligibility criteria has now been published and includes:

- UK-based, in business activity
- Turnover of no more than £45m per annum (aimed at SMEs)
- Operate within an eligible industry sector
- Have a borrowing proposal, which, were it not for the COVID-19 pandemic, would be considered viable by the lender
- Lender believes the provision of finance will enable the business to trade out of any short-to-medium term difficulty
- Must self-certify they have been adversely impacted by COVID-19
- Was not an "undertaking in difficulty" on 31 December 2019
- On 3 April, the Government announced the extension of the scheme to all viable small businesses affected by COVID-19, and not just those unable to secure regular commercial financing

What does it cover?

- Aim is to support SMEs, who may have limited or insufficient security, to raise additional financing
- Provides loans of up to £5m subject to sub-limits: (1) 2x annual wage bill; or (2) 25% of turnover; or (3) an amount sufficient to cover liquidity need for the next 18 months with appropriate justification and self-certification (12 months for SME's > 250 employees)
- Term loans and asset finance with tenors of up to six years are available
- Overdrafts and invoice discounting facilities with tenors of up to three years are available
- The Government will also make a Business Interruption Payment to cover the first 12 months of interest payments and any lender-levied fees
- Government provides a guarantee to the lender for up to 80% of facility value. N.B. Companies remain 100% liable for the debt. The Chancellor has so far ruled out providing 100% guarantees except under the Bounce Back Loan Scheme

How is it accessed?

- Full details published on British Business Bank's website on 23 March 2020
- Companies to apply for CBILS loans directly with one of the 40+ accredited lenders

Practicalities

- Companies will need to consider what collateral they have available as security – unsecured loans of up to only £250,000 are allowed
- Companies will need to demonstrate that other than for COVID-19 disruption, they would be considered to be viable by the lender
- They will need to consider which and how many lenders to approach and how to give themselves the best chance of success
- On 3 April, the Government announced:
  - It would stop lenders from requesting personal guarantees for loans under £250,000
  - For loans over £250,000, personal guarantees will be limited to 20% on amounts outstanding on the CBILS lending after recovery from business assets
  - Operational changes will be made to speed up lending approvals

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Liquidity and financing: Coronavirus Large Business Interruption Loan Scheme (CLBILS)

The Coronavirus Large Business Interruption Loan Scheme (CLBILS) will provide loans of up to £25 million, for companies with turnover between £45 million and £250 million. Companies with turnover of over £250 million will be able to borrow up to £50 million.

Who is eligible?

Eligibility criteria include:

- UK-based, in business activity
- Turnover of more than £45m per annum
- Operate within an eligible industry sector
- Have a borrowing proposal, which, were it not for the COVID-19 pandemic, would be considered viable by the lender
- Lender believes the provision of finance will enable the business to trade out of any short-to-medium term difficulty
- Self-certify that it has been adversely impacted by COVID-19
- Was not an "undertaking in difficulty" on 31 December 2019
- Business has not received a facility under the Bank of England's COVID-19 Corporate Financing Facility

What does it cover?

- Finance products include term loans, revolving credit facilities (including overdrafts), invoice finance and asset finance with tenors up to three years available
- Interest is charged at a commercial rate of borrowing
- Government provides a guarantee to the lender for up to 80% of facility balance (including interest and fees). N.B. Companies remain 100% liable for the debt
- Firms owned by private equity are able to access the scheme
- Amount borrowed should not be greater than (i) double the borrower's annual wage bill; or (ii) 25% of the borrower's total turnover; or (iii) with appropriate justification and based on self-certification of the borrower, the amount may be increased to cover liquidity needs for the next 12 months

How is it accessed?

- Companies can apply for CLBILS loans directly with an accredited lender. Accredited lenders are listed on the British Business Bank website

Practicalities

- Companies will need to demonstrate that other than for COVID-19 disruption, they would be considered to be viable by the lender
- Lenders will still conduct their usual credit risk checks and therefore companies will need to set out a clear request, supported by financial information
- As with the CBILS scheme, companies will need to consider which and how many lenders to approach and how to give themselves the best chance of success
- Consideration will need to be given on how the CLBILS loans will interact with existing lending (e.g. security, ranking etc.). CLBILS loans must rank at least pari passu with all other senior obligations (including senior and/or super senior obligations)

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Future Fund: £500 million investment fund for high-growth companies

On 20 April, the Chancellor announced that UK businesses driving innovation and development will be helped through the coronavirus outbreak with a £1.25 billion Government support package.

The package includes a new £500 million loan scheme for high-growth firms impacted by the crisis, called the Future Fund. This will be made up of funding from Government and the private sector.

The remaining £750 million of targeted support is available for small and medium sized businesses focusing on research and development and will be available through Innovate UK's grants and loan scheme (see page 17).

Who is eligible?

- Companies across the UK
- The business must be an unlisted UK registered company that has raised at least £250,000 in aggregate from private third party investors in previous funding rounds in the last five years
- The business must have a substantive economic presence in the UK
- If the company is a member of a corporate group, only the ultimate parent company, if a UK registered company, is eligible to receive the loan

How is it accessed?

- The scheme is not available yet. The Government intends to launch the scheme in May

What does it cover?

- The Government will make unsecured bridge funding available alongside other private third party matched investor(s)
- Loan amounts provided by the Government of between £125,000 to a maximum of £5,000,000. There will be no cap on the loan amount that matched investor(s) may provide
- The Government will not set a valuation cap on the price at which the loan converts into equity on the company's next funding round. Where matched investors have agreed a valuation cap, the Government shall be entitled to the same terms
- The bridge funding must be used solely for working capital purposes and shall not be used by the company to repay any borrowings, make any dividends or bonus payments to staff, management, shareholders or consultants or, in respect of the Government loan, pay any advisory or placement fees or bonuses to external advisers

Practicalities

- Consideration should be given to expected funding rounds or corporate events over the life of the loan as it will drive the conversion or redemption price of the loan
- The Government will receive a minimum of 8% per annum (non-compounding) interest to be paid on maturity of the loan. The interest rate shall be higher if a higher rate is agreed between the company and the matched investors
- The bridge funding shall automatically convert into equity on the company's next qualifying funding round at a minimum conversion discount of 20% to the price set by that funding round
- The loan shall mature after a maximum of 36 months. If outstanding at this time, the loan shall, at the option of a majority of the principal amount held by matched investors (i) be repaid with a redemption premium; or (ii) convert into equity

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Liquidity and financing: Bounce Back Loan Scheme

The Bounce Back Loan Scheme will help small and medium-sized businesses to borrow between £2,000 and £50,000. The Government will guarantee 100% of the loan.

There will be no fees or interest to pay for the first 12 months and no repayments will be due during the first 12 months.

The Government will work with lenders to agree a low rate of interest for the remaining period of the loan.

The Scheme will launch on 4 May.

Who is eligible?

The scheme is due to launch on 4 May and eligibility criteria include:

- UK-based, in business activity
- Can self-certify that it has been adversely impacted by COVID-19
- Was not an "undertaking in difficulty" on 31 December 2019
- Is not already claiming under the Coronavirus Business Interruption Loan Scheme (CBILS)
- However, businesses who have already received a loan of up to £50,000 under CBILS and would like to transfer it into the Bounce Back Loan scheme, can arrange to do this with their lender until 4 November 2020

What does it cover?

- Businesses will be able to apply for a loan for 25% of their turnover, up to a maximum of £50,000
- The Government will pay the interest and any fees for the first twelve months of the loan
- No repayments will be due during the first 12 months
- The Government will support the Scheme by guaranteeing, to the lender, 100% of the loan
- Loan terms will be up to six years. N.B.Company remains 100% liable for the debt

How is it accessed?

- The scheme will be delivered through a network of accredited lenders
- The Government has announced that the loans will be applied for through a short, standardised online application
- Full details of the application process will be available shortly

Practicalities

- The Chancellor has said that these loans will be available from 9am on 4 May and that for most firms, loans should arrive within 24 hours of approval
- There will be no forward-looking tests of business viability
- The Government will work with lenders to agree a low rate of interest for the remaining period of the loan after the first twelve months

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Employment support: Coronavirus Job Retention Scheme

The Government will provide grants which will cover 80% of a retained furloughed worker's pay, up to a cap of £2,500 a month.

Any entity with a UK payroll can apply but the claim must be made online. Claims can be made by the business or by an agent authorised to act for PAYE purposes and access the employer's PAYE online services. At present,there is no ability to revise claims once submitted but HMRC is considering allowing an amendment facility.

The scheme will be open until the end of June but may be extended.

The minimum period an employee can be furloughed for is three weeks. An employee can be furloughed more than once.

Who is eligible?

The scheme is open to any employer in the country which had a PAYE scheme on or before 19 March 2020 and is registered for online PAYE services. It covers the cost of wages which can be backdated to 1 March.

Employers will need to designate affected employees as "furloughed", and notify them of this change – changing the status of employees is subject to employment law. The employee should not undertake work for the employer, or a linked or associated organisation, while furloughed – the scheme does not provide support for the costs of "working" employees.

The scheme covers employees on the PAYE payroll and notified to HMRC on an RTI submission on or before 19 March 2020. Employees that were employed and on payroll as of 28 February 2020 who were made redundant or stopped working for the employer between then and 19 March can also qualify for the scheme if the employer re-employs them and furloughs them.

What does it cover?

- The funds provided will be grants, not loans
- There is no obligation for the employer to cover the remaining 20%, though the employer can do so if they wish
- The monthly cap is applied to wages, with a further grant covering the employer's National Insurance cost and auto-enrolment contributions

HMRC guidance

- The grant will be based on salary in the last pay period prior to 19 March 2020, or in line with the provisions for employees with variable pay. The grant can cover employees with more than one employer and certain non-employees (including company directors) paid via PAYE
- Discretionary bonuses (including tips) and non-compulsory commissions as well as non-cash payments are not part of "pay"
- The employee is subject to tax and National Insurance
- The employer needs to pay National Insurance and Apprenticeship Levy (if applicable) on the payments to the employee. It will be taxable on the grant and will get a deduction for the payments to the employees under normal principles
- Individuals with employees that are not employed as part of a business are not taxable on grants received under the scheme

Practicalities

If the first grants are to made "within weeks" this still leaves a critical funding gap for employers. Employers may need to find other sources of liquidity to cover costs.

Employers will need to first consider the relevance of furloughing to their business and then, if appropriate, undertake workforce planning, recognising the usual risks and requirements to avoid discrimination in selecting people for furloughing.

Employers will need to explore the contractual and employment law position of furloughing their staff. Very few UK styled employment contracts will contain provisions governing how to do it and what it means.

Irrespective of whether consent (or any form of negotiation) is required or feasible in the time available, any terms relating to furloughing should be recorded in writing. Employers must confirm in writing to their employees that they have been furloughed. HMRC has stressed that it retains the right to audit all aspects of the arrangement.

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Other employment issues

Measures in place at least until 7 May call for everybody to stay at home and only to leave for specific reasons. Travelling to and from work is only allowed if it is "absolutely necessary". Government advice is that employees who can work from home should do so.

Health and safety obligations

Employers will need to understand the make-up of their workforce including identifying vulnerable employees and ascertaining which employees are entitled to sick pay and for how long. They should collect employee health data in line with GDPR/Data Protection Act 2018.

Practical considerations

Employers should ensure risk assessment requirements are met including for those working at home. In respect of COVID-19 affected persons, staff should be kept informed, but individuals should not be named. Employers should be mindful of the duty to protect employees from potential discrimination and harassment.

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Changes to terms and conditions

Employers will need to be aware of any limits on the ability to impose new employment terms such as flexible working (including changes to duties, hours or location), travel bans or redeployment to other roles.

Practical considerations

Employers should look to consult where required on changes to employee terms and conditions and update employee policies and consider how this can best be done in practice within the current guidance on social distancing.

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Self-employed Income Support Scheme

The Self-employed Income Support Scheme will provide financial support for self-employed workers.

Workers can claim a taxable grant of up to 80% of their average monthly trading profits over the last three tax years (2016/17, 2017/18 and 2018/19), up to a maximum of £2,500 per month for three months; this period may be extended if this is needed.

An individual must have submitted a Self Assessment tax return for the tax year 2018/19 by 23 April 2020 in order to make a claim. HMRC will not take into account any changes made to already submitted returns after 26 March 2020, when working out eligibility or the amount of the grant.

Who is eligible?

The scheme only applies to people who are self-employed (including members of partnerships) and provides similar support to the measures announced for employed workers.

To be eligible, the following requirements must be met:

- The individual must be already in self-employment
- The individual must have submitted their tax return for the 2018/19 tax year no later than 23 April 2020 (note HMRC may consider penalties where returns are late)
- The individual must have traded in the 2019/20 tax year and be continuing to trade when they apply (or would be except for COVID-19)
- The individual has reduced trading profits due to COVID-19; HMRC has indicated it will take a risk-based approach to compliance with this requirement

In addition, the individual's trading profit must have been less than £50,000 in the 2018/19 tax year, or their average trading profit over the last three tax years must be less than £50,000 a year. More than half of the individual's income must have come from self-employment during the above periods.

What does it cover?

The grant is based on average monthly trading profits.

To work out the average trading profit figure, HMRC will add together the total trading profit for the three tax years (2016/17, 2017/18 and 2018/19 where applicable) then divide by three (where applicable).

Where an individual has not been trading for the full three years, but at least started trading between 2016 and 2019, HMRC will use the figures for those years for which a Self-Assessment tax return was filed, e.g. if an individual traded in 2017/18 and 2018/19, it will be the trading profits for the two years divided by two.

Those who pay themselves a salary and dividends through their own company are not covered by the scheme but will be covered for their salary by the Coronavirus Job Retention Scheme if they are operating a PAYE scheme.

Practicalities

An application for the grant cannot yet be made. Once the scheme opens HMRC will contact those that are eligible (in mid-May), to invite them to make an online application, which will need to be made through the GOV.UK website. This is the only way to access the scheme.

Once an online claim has been submitted, HMRC will process the claim and will tell the individual how much they will get and the payment details. Payments should start to be made by HMRC at the beginning of June and will be paid directly into the individual's bank account, in one instalment.

Given that payments will be made in June at the earliest, individuals should consider all other available steps to manage their cashflow in the meantime.

The grant must be reported on the relevant tax return and will be subject to tax and Class 4 National Insurance as well as being treated as income for tax credit and universal credit purposes.

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Cash flow support: Government tax deferrals

No application needs to be made for the deferral of VAT due before 30 June 2020.

For deferral of all taxes, there is a dedicated HMRC helpline to call (0800 0159 559) or an approach should be made to the group's CCM. We strongly recommend engaging before a payment becomes due and not simply delaying payment of tax due.

Where it is difficult to get through to the helpline, a record should be kept of attempts made.

VAT payments

All UK VAT registered businesses can defer VAT payments due between 20 March 2020 and 30 June 2020 until the end of the tax year. No interest will arise on the payments that are deferred.

There is no automatic deferral for import VAT and duty but deferral may be possible in specific circumstances.

Practical considerations

- The deferral of VAT payments is an automatic payment holiday with no application required. Direct debit payments will need to be cancelled
- VAT refunds and reclaims will be paid by the Government as normal

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Payments on account

Taxpayers can defer their self-assessment payment on account due on 31 July 2020 until 31 January 2021. The deferral is optional.

Practical considerations

- No interest or penalties will be applied to any tax that is deferred. The deferral applies to all taxpayers with an income tax liability to pay on account

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Time to pay

All businesses in financial distress, and with outstanding tax liabilities, may be eligible to receive support with their tax affairs through HMRC's Time To Pay service. The arrangements will be agreed on a case-by-case basis but in the first instance it seems HMRC is likely to offer a one-off, three-month full deferral of the liability. This is for all taxes within HMRC's jurisdiction (though VAT is already subject to the automatic deferral above), so will cover PAYE, Air Passenger Duty and corporation tax.

Practical considerations

- The expectation is that there will be a light touch applied to those sectors/industries already impacted (e.g., restaurants, tourism and entertainment)
- If, after three months, the business is still unable to pay, it will need to apply for a more formal Time to Pay arrangement. It is worth noting that HMRC expects these to be exceptional although that will clearly depend on circumstances

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Cash flow support: Cash tax management

The Government's announcements are not the only ways to manage cash tax. There are other tax related measures, which are not specific to COVID-19, to manage liquidity.

Tax payments

Review instalment payments for the current year if relevant and claim repayments if appropriate. Review payments already made in light of tax attributes to see if repayments can be generated. In particular, consider revisiting capital allowances claims (and disclaimers) for earlier periods.

Practical considerations

Businesses should contact HMRC and look to submit amended returns and claim refunds of overpayments as soon as possible.

They will need to model the impact of withholding taxes on any cross-border flows and consider the tax impact of changes to operating models or supply chains.

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Research and development tax credits

Where appropriate, businesses should be optimising and accelerating the submission of R&D claims in order to receive cash back as soon as possible.

Practical considerations

Research and development expenditure credit (RDEC) claims can be reviewed and repayments authorised separately from a company's overall tax affairs.

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VAT

Look to recover VAT as quickly as possible by streamlining processes or introducing accruals to create immediate cash flow benefits. Take advantage of reliefs where customers are delaying payment.

Practical considerations

Unlocking process and systems limitations can improve ongoing VAT recovery as well as an opportunity to reclaim VAT not recovered in the past.

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Fixed costs: Business rates and property considerations

The Government has introduced a business rates holiday for retail, hospitality and leisure businesses in England for the 2020 to 2021 tax year alongside certain cash grants.

Business rates

The Government has provided a list of qualifying properties that is not exhaustive but instead serves as guide for local authorities to draw comparison and apply relief as they see fit. The Government has however provided a list of properties they expressly consider to fall outside of the relief.

Practical considerations

- No actions need to be taken to claim the holiday, although local authorities may have to reissue bills to exclude the business rate charge
- Those businesses that cannot benefit from the holiday should explore other reliefs that already exist in the business rates system

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Forfeiture moratorium

For business tenants weighing up whether to make rental payments against the risk of the landlord exercising its right to take back the premises (forfeiture), the Government has confirmed that commercial landlords will be prevented from exercising this right until (at least) 30 June 2020, where non-payment of rent is due to COVID-19. Any current forfeiture proceedings also cannot result in the tenant being asked to give up possession of premises prior to (at least) 30 June 2020.

The Government will also temporarily ban the use of statutory demands (made between 1 March 2020 and 30 June 2020) and winding up petitions presented from Monday 27 April, through to 30 June, where a company cannot pay its bills due to coronavirus. In addition landlords will be prevented from using Commercial Rent Arrears Recovery (CRAR) unless they are owed 90 days of unpaid rent.

Practical considerations

After 30 June 2020 (or any extended period), the right to forfeit will be reinstated, making tenants potentially liable for 6 months' rent at that point. The effective ability for tenants to withhold rent as a result of the prohibition on forfeiture may not be attractive where a tenant could not foresee making that lump sum payment once the moratorium is lifted. A rent concession may therefore be more attractive to both parties – for example overall rent reduction or deferral, rent free period or change to the usual payment cycle i.e. quarterly to monthly payments.

Concessions would need to be agreed and documented (usually by side letter), being clear that the concession is temporary and detailing when it will end. Some concessions may also require lender or other third party (i.e. superior landlord) consent.

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Grants and sector-specific measures

Grants are cash-payments for organisations.

Some COVID-19 grants come from UK Government, some from devolved administrations and others from non-government bodies.

Certain sectors (such as airlines and airports) may ultimately need to have a support package put together by the Government.

We also understand that existing grants will continue as usual.

There are new grants for COVID-19 related activities and on the next page we highlight a major new grant from UK Research and Innovation.

COVID-19 government grant – small businesses

- Businesses eligible for Small Business Rate Relief can obtain a cash grant of £10,000. Businesses in retail, hospitality and leisure sectors with relevant properties can obtain £25,000
- The grants are awarded by the local authority within which the property falls

Practical considerations

- Local authorities have received funding and instructions to deploy such funding
- Local authorities should automatically contact businesses eligible for the grant. But each local authority has its own policy

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Existing government grant – UK SMART grant

- To lead a project, the applicant must be a UK based business of any size or a research and technology organisation (RTO)
- The business must carry out the R&D project activity in the UK and intend to commercially exploit the project results from or in the UK
- Large companies must partner with at least one SME
- Funding covers 25% – 70% of eligible project costs up to £2 million

Practical considerations

- Projects with durations between six and 18 months must have total eligible project costs between £25,000 and £500,000. They can be single or collaborative projects
- Project durations between 19 months and 36 months must have total eligible project costs between £25,000 and £2 million. They must be collaborative projects
- Projects can be at different levels of technological maturity, up to but not including commercialisation

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Existing government grant – Industrial Heat Recovery Scheme (IHRS)

- IHRS can give manufacturers £1.5m to pay for heat capture technologies

Practical considerations

- This can fund 30% of capital equipment costs and is one of the biggest grants on offer currently. Manufacturers must be in England and Wales to apply

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Funding for ideas that address COVID-19

A generous new government grant has been announced which has a very wide remit.

UK Research and Innovation (UKRI) invites proposals for short-term projects addressing and mitigating the health, social, economic, cultural and environmental impacts of the recent COVID-19 outbreak.

The impacts of COVID-19 are wide and many, and a wide range of businesses may have ideas to address these impacts or are already working on solutions.

Any activities qualified under this grant could be covered for up to 80% of the project costs.

Who is eligible?

Proposals will be accepted from any business (sole or consortium) who is normally eligible to apply for UKRI funding.

- Applicants holding existing UKRI standard grants can apply to switch their funding to address the objectives of this call
- Businesses who are willing to become part of a wider consortia or join with already existing efforts
- Businesses that do not have an existing active application under submission

How is it accessed?

- Companies must complete an application form; the aim is to provide a response within 10 days
- The proposal will be reviewed by one or more of the UKRI councils and peer reviewers may be asked to comment on proposals
- Before the grant is confirmed, applicants may be asked for more information

What does it cover?

UKRI will support excellent projects with a 12–18 month duration, which meet at least one of the following:

- New research or innovation with a clear impact pathway that has the potential (within the period of the grant) to deliver a significant contribution to the understanding of, and response to, the COVID-19 pandemic and its impacts
- Supports the manufacture and/or wide scale adoption of an intervention with significant potential
- Gathers critical data and resources quickly for future research use

If a grant is awarded, UKRI will provide funding at 80% of the full economic cost.

Practicalities

There are a number of practicalities which businesses will need to consider before applying. Some key points are listed below:

- Applicants will need to show why it is not possible to resource the work by repurposing existing funds they may have available
- Applicants will need to show that they can start work within four weeks of the funding being confirmed
- Any research that requires access to the UK health and care system must follow guidance issued by the National Institute for Health Research (NIHR) to get their study nationally supported as high priority COVID-19 Urgent Public Health Research. See NIHR Guidance

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£750 million of grants available for SMEs

On 20 April, the Chancellor announced that there will £750 million of targeted support available for small and medium sized businesses focusing on research and development.

This £750 million of targeted support will be available through Innovate UK's grants and loan scheme.

Who is eligible?

- Innovate UK will typically only accept proposals from UK businesses who are eligible to receive State Aid at the time they are informed that funding will be awarded
- Businesses must also usually carry out the R&D project activity in the UK and intend to commercially exploit the project results from or in the UK

How is it accessed?

- The Government aims to make the first payments from this additional support package by mid-May
- Full details regarding how to access the scheme has not been made available yet

What does it cover?

- Innovate UK, the national innovation agency, will accelerate up to £200 million of grant and loan payments for its 2,500 existing Innovate UK customers on an opt-in basis
- An extra £550 million will also be made available to increase support for existing customers
- £175,000 of support will be offered to around 1,200 firms not currently in receipt of Innovate UK funding

Practicalities

- More information about how companies can opt-in for the £200m fast-tracked grants will be available towards 24 April
- More information is required as to how "existing customers" will be defined

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Our tracker provides a snapshot of the policy changes that have been announced in 122 jurisdictions around the world in response to the COVID-19 crisis.

Our associated COVID-19 global stimulus tracking tool provides a set of interactive dashboards which allow businesses to filter the information and a workflow management facility that enables allocation of tasks within the organisation.

Key jurisdictions covered by the Response Tracker include:

- Australia
- Austria
- Belgium
- Brazil
- Canada
- China
- Colombia
- Cyprus
- Czech Republic
- Denmark
- France
- Germany
- Greece
- Hong Kong
- Indonesia
- India
- Ireland
- Italy
- Japan
- Luxembourg
- Malaysia
- New Zealand
- Norway
- Puerto Rico
- Singapore
- Slovak Republic
- Slovenia
- South Africa
- South Korea
- Spain
- Sweden
- Taiwan
- Thailand
- Ukraine
- United Kingdom
- United States

To download the latest Response Tracker visit:

ey.com/en_us/tax/how-covid-19-is-causing-governments-to-adopt-economic-stimulus--

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