



COVID-19 webcast: Financial viability and UK government support

FAQs from 25 March webcast



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These were the most frequently asked questions on the webcast. The answers reflect government updates as at 30 March.

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If you require any further explanations or specific advice in responding to COVID-19, please get in touch with the specialists in this document or your usual EY contact.

Additional resources

[Recording of webcast](#)

ey.com/covid

[Guide to UK government support and practical next steps](#)

[Global tracker: Policy and stimulus measures from governments around the world](#)

Coronavirus Job Retention Scheme

Text in quotation marks comes from the Government's Coronavirus Job Retention Scheme guidance [here](#).



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Calculation

How is the 80% cost of employment calculated? Is this gross/net pay?

It is gross pay.

"You will receive a grant from HMRC to cover the lower of 80% of an employee's regular wage or £2,500 per month, plus the associated Employer National Insurance contributions and minimum automatic enrolment employer pension contributions on that subsidised wage.

At a minimum, employers must pay their employee the lower of 80% of their regular wage or £2,500 per month."

Can an employer continue to pay someone their full salary and claim the 80% up to £2,500?

Indeed, they can.

"An employer can also choose to top up an employee's salary... but is not obliged to under this scheme."

Can you reduce someone to 80% of their pay and not pay the incremental salary they are currently on?

This is a matter of employment law – consider the requirement for individual employee consent to do this, or any collective consultation obligations. Essentially, the usual rules relating to employment contracts and the variation of terms and conditions of employment will apply.

How do we calculate gross salary in terms of overtime, commission, benefits, NI, apprenticeship levy etc.?

"Fees, commission and bonuses should not be included."

Employees who are paid variable amounts month by month outside of these pay types may use an averaging basis to work out pay – see below.

The guidance is silent on apprenticeship levy – whether this is by design or oversight is not clear.

How does the 80% pay relate to hourly paid workers?

"If the employee has been employed (or engaged by an employment business) for a full twelve months prior to the claim, you can claim for the higher of either:

- ▶ the same month's earning from the previous year
- ▶ average monthly earnings from the 2019-20 tax year

If the employee has been employed for less than a year, you can claim for an average of their monthly earnings since they started work.

If the employee only started in February 2020, use a pro-rata for their earnings so far to claim."

Is it possible to backdate the furlough of an employee? Can employees let go be retrospectively classified as furloughed?

If you, effectively, furloughed an employee post 1 March then you should be able claim this relief in respect of that employee from that date. We do not believe that you can retrospectively furlough, however. Meaning that employees who have not been furloughed to date, cannot be told they are now being furloughed effective from 1 March.

The scheme also covers employees who were made redundant since 28 February 2020, if they are rehired by their employer.

Is the payment to furloughed employees pensionable?

"Employees will also pay automatic enrolment contributions on qualifying earnings, unless they have chosen to opt-out or to cease saving into a workplace pension scheme."

For furloughed employees is there still tax and national insurance payable?

"Wages of furloughed employees will be subject to Income Tax and National Insurance as usual.

Employers will be liable to pay Employer National Insurance contributions on wages paid."

Text in quotation marks comes from the Government's Coronavirus Job Retention Scheme guidance [here](#).

Eligibility

Which employees are eligible to be furloughed? (part-time employees, contract/freelance employees, employees on maternity leave, directors/shareholders, employees based overseas)

"Furloughed employees must have been on your PAYE payroll on 28 February 2020, and can be on any type of contract, including:

- ▶ full-time employees
- ▶ part-time employees
- ▶ employees on agency contracts
- ▶ employees on flexible or zero-hour contracts

Employees on unpaid leave cannot be furloughed, unless they were placed on unpaid leave after 28 February."

If employees need to take time off because they are sick/isolating or have increased caring responsibilities can they be classed as furloughed?

"Employees on sick leave or self-isolating should get Statutory Sick Pay, but can be furloughed after this.

Employees who are shielding in line with public health guidance can be placed on furlough."

If an employer wishes to furlough an employee with caring responsibilities, there does not appear to be any formal guidance to suggest this would not be effective.

Does the scheme also apply to employees of UK owned foreign subsidiaries/branches?

This is a matter of employment law – consider the requirement for individual employee consent to do this, or any collective consultation obligations. Essentially, the usual rules relating to employment contracts and the variation of terms and conditions of employment will apply.

Process

How long will the JRS last for?

"The Coronavirus Job Retention Scheme is a temporary scheme open to all UK employers for at least three months starting from 1 March 2020. We expect the scheme to be up and running by the end of April."

Is employee consent required to both furlough an employee as well as reduce their pay?

Likely "yes" to both. Some contracts enable employees to be "laid off" for periods without consent (and hence the act of furloughing itself may not give rise to a need for consent if the contract so provides) – but the reduction in pay almost certainly will require agreement.

Will annual leave accrue during furlough?

Normal terms and conditions apply – so we would assume, "yes." As part of the furlough agreement employers may wish to specifically provide that holiday will cease to accrue and/or may not be taken within a stated period post return to work.

What is the likely time gap between paying furloughed employees and being compensated by the Government?

This is not known. The intention is that employers will make their claim via an online portal (in the course of being established).

Employers can only submit one claim at least every 3 weeks, which is the minimum length an employee can be furloughed for.

"Once HMRC have received your claim and you are eligible for the grant, they will pay it via BACS payment to a UK bank account."

Can you furlough part of your staff and then at a later stage bring them back and furlough others?

We believe so – subject to the 3 week requirement – which is the minimum length an employee may be furloughed for.

How long can you furlough someone for?

For as long as the scheme continues.

What are the implications of making someone redundant during or after they have come back from being furloughed?

Usual employment law rules would apply, both in terms of process and selection. There is no suggestion that being furloughed provides any protection against being made redundant, or puts at risk any furlough grants paid or to be paid.

Eligibility

What is the definition of an SME to claim the SSP? How does the number of employees in the definition relate to group/ownership structures?

An entity qualifies as either small or medium if it meets the staff headcount ceiling for that class and one (or both) of the financial limits relating to turnover, and balance sheet total.

Where the entity is a member of a group, or has an associated entity, these limits apply to the whole group and not the specific entity.

Staff includes employees, persons seconded to work for a business, owner managers and partners. Where staff do not work full time during the year they should be counted as an appropriate fraction.



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Cash grants for restaurant, hospitality and leisure businesses

If a restaurant has been forced to close and reopen as a takeaway business will the grant still be available to us?

Takeaways are also expressly included in the Expanded Retail Discount Scheme as a qualifying use. We would therefore also expect them to be eligible for the grant.

Small Business Grant Funding

Is the size of the grant scaled based on the size of the business or is the full amount available if you're in the eligible bracket?

The grant is a fixed sum (£10k or £25k depending on the level of Rateable Value) to those eligible businesses. There is however no sliding scale of the grant awarded based on Rateable Value.

Will a business in RHL be able to claim the Cash Grant for RHL as well as the Small Business Grant?

Only one of the Small Business Grant or RHL grant linked to Rateable Value will be available (this is in addition to the 100% rates holiday for RHL companies). However, if a business has multiple sites under the £51k qualifying Rateable Value threshold they may be able to claim multiple RHL grants as the guidance states it will be available per qualifying property (this is the position in England. In Scotland it is one grant per business regardless of the number of sites the business has).

Other

Do the grants need to be paid back?

The grants linked to business rates are not a loan and will not need to be paid back.

Is there any rate relief for SMEs that do not fall into RHL sector?

The Small Business Grant linked to business rates is applicable to all sectors and not just RHL. For those non-RHL businesses with Rateable Values above £15k there are other reliefs already in the system that may apply. The application of these will depend how the property is being occupied and/or the circumstances of the business at the current time and include empty rates relief, partial occupation relief and hardship relief. It may also be possible to defer rates payments due for the first 2/3 months from 1 April 2020 (this will not provide direct relief but could assist with short term cash flow). Any deferment is at the discretion of the respective local authority.

Will there be conditions from the Government if you take out these grants? E.g. cannot make redundancies?

We are not currently aware of any such conditions.



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What is the business rates holiday and who is eligible?

A business rates holiday has been announced in England for 2020-21. This covers retail, hospitality and leisure businesses in England. Businesses falling within these categories are not required to pay any business rates for the 2020-21 tax year. Similar holidays have also been announced for Scotland, Wales and Northern Ireland, though some of the specific terms are different.

The latest guidance for each jurisdiction is published here:

- ▶ **England:**
www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/covid-19-support-for-businesses
- ▶ **Scotland:**
www.gov.uk/guidance/coronavirus-covid-19-information-for-individuals-and-businesses-in-scotland
- ▶ **Wales:**
www.gov.uk/guidance/coronavirus-covid-19-information-for-individuals-and-businesses-in-wales#business-support-helplines
- ▶ **Northern Ireland:**
www.gov.uk/government/news/covid-19-guidance-information-for-ni-businesses-employers#businesses

Could there be a further extension of the business rates holiday for businesses not currently covered?

Yes, this is a possibility. We have seen the UK Government respond positively and quickly to business concerns brought to its attention, and make refinements to the measures as a result.

What is the income tax deferral measure?

This measure provides for the deferral of income tax payments due in July 2020 under the self-assessment system until January 2021. There are no penalties or interest for late payment for deferring payment until January 2021 under this measure.

Who is eligible for the income tax deferral measure and how does one access it?

Taxpayers due to pay income tax in July 2020 under the self-assessment system are eligible. Taxpayers do not need to be self-employed to be eligible. The deferral is optional. For those wishing to take it up, the measure is automatic and no application is required.

What is the VAT deferral measure?

The measure exempts UK businesses from the requirement to make a VAT payment to HMRC during the period from 20 March 2020 until 30 June 2020. Instead, they will have until the end of the 2020-21 tax

year to pay any liabilities accumulating during the deferral period.

Who is eligible for the VAT deferral measure?

All UK VAT registered business are eligible. This is an automatic offer and no applications are required. Businesses wishing to utilise the measure and who pay by direct debit should cancel their direct debit with their bank to prevent an automatic collection.

What about returns, refunds and reclaims?

VAT returns still need to be submitted by the due date. VAT refunds and reclaims will be paid by the government as normal and are unaffected by the deferral measure.

Are there any similar measures for deferring other taxes other than VAT and income tax?

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, so for example can cover Air Passenger Duty and corporation tax.



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Coronavirus Business Interruption Loan Scheme

Is the turnover limit based on only UK turnover or global turnover?

Global.

Is the £45m threshold for CBILS assessed at the legal entity or group level? Does it include UK legal entities or global legal entities?

Group.

Can individual businesses apply for CBILS or does this have to be done as a group?

Group.

Do businesses need to be making a profit to be eligible? What about start-ups?

All are eligible.

What does the application process for CBILS look like?

Apply through your bank.

Will the banks ask for evidence/quantification of the COVID-19 impact?

Possibly.

Do you need personal guarantees for CBIL?

No.

COVID-19 Corporate Financing Facility

What happens if you are a large corporate but with no formal credit rating/ investment grade debt (e.g. there is currently no debt requiring such a rating)?

Currently require a rating but bank internal ratings and NAIC designations are being considered.

If we are a UK business that is foreign-owned, is it possible for our foreign parent to issue the Commercial Paper if their rating was advantageous?

TBD.

Will companies with lower credit ratings be able to access the scheme?

Not yet but this is being considered.

What interest rates and other costs will be applied on the CFF?

Dealer costs, clearing costs and set up of CP program legal costs. Interest rates at OIS 20-60bp depending on rating.

Other

What options are there for businesses that have turnover greater than £45m?

None currently other than banks and capital markets.

There appears to be a gap between major corporations, which can access large loans, and small business, for whom a £10-20k loan would be helpful. What about businesses in between who would need more than £10-20k to make a difference but cannot access or need larger loans?

Agree – see above.

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