COVID-19: UK Government measures and practical next steps

Measures announced to 18 June 2020

EY

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 more than £45 million to borrow up to £200 million.

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: Investment 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 do 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 launched on 26 May
- 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 are 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 October. From 1 July the scheme will be amended to cover part-time working but from 1 August employers will be asked to cover part of the cost of the scheme.

Self-employed

The Self-Employment Income Support Scheme provides two taxable lump sum grants. The first, which can be claimed up to 13 July is worth 80% of trading profits up to a maximum of £7,500 covering three months.

The second and final grant can be claimed from August and is worth 70% of trading profits up to a maximum of £6,570, again covering three months.

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 be available for new drawings until March 2021.

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
  - A2/P2/F2/R2 = up to £600m
  - A3/P3/F3/R3 = up to £300m
- 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
- The scheme will close to new drawings in March 2021

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

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

As per updates announced on 19 May 2020:

- Dividend restrictions and restraint on senior pay shall apply if Commercial Paper is issued with a maturity date beyond 19 May 2021
- Early repayment is now an option
- There will be public disclosure of issuer names for those that have issued Commercial Paper under the scheme (there is no disclosure requirement for simply having established access to the scheme)

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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 or fees 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
- 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
- Changes have been made to the scheme since launch so that Group turnover for PE or VC-backed businesses is no longer aggregated at the fund level and instead will look at the portfolio company level

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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 £200 million for companies with turnover of over £45 million. Companies borrowing more than £50 million will be subject to restrictions on dividend payments, senior pay and share buy-backs.

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), and for loans up to £50m, invoice finance and asset finance. Tenors from three months 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)
- Companies borrowing more than £50m will be subject to restrictions on dividend payments, senior pay and share buy-backs during the period of the loan

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Future Fund: 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. This will be made up of £250 million of funding from Government (the Future Fund) and the matching balance from the private sector.

The remaining support package 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.

Who is eligible?

Company specific criteria include:

- The company must be an unlisted UK incorporated limited company (incorporation date before 31 December 2019)
- The company must have raised at least £250,000 in equity from third-party investors in previous funding rounds in the last five years
- If part of a group, the company must be the ultimate parent company
- At least 50% of employees must be UK based or more than 50% of revenues should come from UK sales

Investors must fall within specific categories. Investors will not benefit from EIS/SEIS treatment on their matched funding.

How is it accessed?

- The scheme has launched and is open for applications until the end of September 2020. Funds will be deployed on a first come, first served basis. Further details are available on the British Business Bank's website
- The application process is investor led. The investor or lead investor of a group of investors must certify they meet the scheme eligibility criteria and provide key investment details
- Investors and the Future Fund both invest using a convertible loan agreement which is predefined and cannot be negotiated

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. Amounts of Future Fund loans must be at least matched by co-investment from investors
- 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 (including an exit or new 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 and cannot be repaid early by the company other than with the agreement of all investors. 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 finance (both capital and interest).

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

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

Who is eligible?

The Scheme was launched on 4 May and eligibility criteria include:

- UK-based, in business activity and was established by 1 March 2020
- Can self-certify that it has been adversely impacted by COVID-19
- Was not an "undertaking in difficulty" on 31 December 2019 (if it was, the business must confirm it complies with additional state aid restrictions under de minimis state aid rules)
- Is not using the Government support provided by CBILS, CLBILS or CCFF, unless the Bounce Back Loan will refinance the whole of any such support
- 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
- Is not in bankruptcy or liquidation or undergoing debt restructuring at the time it submits its application for finance
- Derives more than 50% of its income from its trading activity (this requirement does not apply to charities or further-education colleges)
- Is not a credit institution, an insurance company, a public-sector organisation or a state-funded primary or secondary school

What does it cover?

- Businesses will be able to apply for a loan of £2,000 or 25% of their turnover, up to a maximum of £50,000
- The Government will make a business interruption payment to cover the interest in the first twelve months of the loan
- There are no fees to access the Scheme
- 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 and interest
- Loan terms will be up to six years. Early repayment is allowed without early repayment fees
- N.B.Company remains 100% liable for the debt

How is it accessed?

- The scheme is being delivered through a network of accredited lenders. Accredited lenders are listed on the British Business Bank's website
- Companies should approach an accredited lender of their choice
- Companies must complete a short, standardised online application which self-certifies that the business is eligible for a loan under the Scheme

Practicalities

- The Chancellor has said that for most firms, loans should arrive within 24 hours of approval
- There will be no forward-looking tests of business viability
- Lenders are not permitted to take personal guarantees or take recovery action over a borrower's personal assets (such as their main home or personal vehicle)
- The interest rate for the facility is set at 2.5% per annum for all businesses

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Employment support: Coronavirus Job Retention Scheme, up to 30 June 2020

The Government is providing grants which 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. Amounts overclaimed can now be adjusted for through a subsequent claim. HMRC is working on a process to allow money overclaimed to be paid back where no further claims will be made. Potential underclaims should be raised with HMRC.

The scheme in its current form will be open until the end of June. New rules will then apply to the end of October (see next page). Claims for periods ending on or before 30 June must be made by **31 July**.

Under this form of the scheme, 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 are 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 is 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

Employers will need to 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.

Employers will need to keep a copy of all records in relation to claims made for six years and copies of agreements to furlough employees for five years.

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Employment support: Coronavirus Job Retention Scheme, from 1 August to 31 October 2020

On 12 May 2020, the Chancellor announced that the CJRS will be extended to the end of October 2020.

From July to October, however, the CJRS will operate with greater flexibility. Employers currently using the scheme will be able to bring furloughed employees back part-time. This should allow businesses to start to increase activity, while managing costs.

Furloughed employees will still receive a minimum of 80% of wages (capped at £2,500 per month), but the Government will ask employers to cover the cost of hours worked from July and contribute to the cost of hours not worked from August.

Claims for days in July cannot be made before 1 July. Separate claims need to be made for days in June and days in July, even if the employee is continuously furloughed.

Who is eligible?

- Whilst the eligibility criteria for employers for this period will remain unchanged, employers who were not furloughing employees prior to 1 July 2020 will not be eligible to participate in the more flexible version of the scheme
- Except for those returning from statutory parental leave, no claim will be able to be made for employees who had not been furloughed for at least three full weeks prior to 1 July 2020; in order for the current three week furlough period to be completed by 30 June 2020, the final date by which an employer could furlough an employee for the first time was 10 June 2020
- There will no longer be a minimum period for which employees must be furloughed
- Employees will be able to undertake work for the employer, or a linked or associated organisation, whilst furloughed and will be able to return to work part-time from 1 July 2020
- Employers:
  - Will be able to agree any working arrangements with previously furloughed employees
  - Must agree with their employee any new flexible furloughing arrangement and confirm that agreement in writing
  - Will have flexibility to claim under the CJRS for the hours that are not worked (i.e. there is no longer a need for a 'full time' furlough)

What does it cover?

- From July, Government support will only apply to hours not worked and from August, this support will be reduced
- For worked hours, employees will be paid by their employer subject to their employment contract and employers will be responsible for paying the tax, NI and pension contributions due on those amounts
- When claiming the CJRS grant for furloughed hours, employers will need to report and claim for a minimum period of seven calendar days subject to month end

Level of Government contribution

- From July the monthly cap will be proportionate to the hours not worked. Employers will be required to bear part of the salary costs of their furloughed staff from August
- From August the Government will pay 80% of wages up to a maximum cap of £2,500 and employers will pay employer NI and pension contributions for the hours the employee does not work
- From September the Government will pay 70% of wages up to a maximum cap of £2,187.50 for the hours the employee does not work. Employers will pay employer NI and pension contributions and 10% of wages for hours not worked
- From October the Government will pay 60% of wages up to a maximum cap of £1,875 for the hours the employee does not work. Employers will pay employer NI and pension contributions and 20% of wages for hours not worked

Practicalities

In bringing employees back after furlough, employers will need to consider a a number of key issues including:

- Profiling which people to return to work and by when. This will require workforce planning based upon scenario modelling (what will be needed), availability (not all people will be able or willing to return) and workforce segmentation (not all employees do the same thing)
- Planning for a safe and healthy transition. This could involve the development of safe return to work principles and governance, employee consultation and engagement and site/office safety and occupancy planning
- How to protect the workforce and keep them engaged as they return. Measure could include tracking and monitoring, employee listening, a focus on wellbeing benefits etc
- What "return" means? Will there be a continued interest in remote working? Will people need to come back do the same thing, or will an element of re-purposing be needed?

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Other employment issues

Each of England, Scotland Wales and Northern Ireland have the power to develop their own framework for lifting the lockdown restrictions. At present, we are seeing a slight divergence in approach, with the Scottish Government retaining the advice to stay at home and only to leave for specific reasons (although it is expected to move to Stage 2 of opening up the economy imminently).

However, the advice in England is now that, while all reasonable steps should be taken by employers to help people work from home, those who cannot work from home and whose workplace has not been told to close, should go to work. When travelling workers should consider all other forms of transport before using public transport.

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-Employment Income Support Scheme

The Self-Employment Income Support Scheme provides financial support for self-employed workers.

Up till 13 July 2020, 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 £7,500 for a three month period, paid as a single instalment.

From August 2020, workers will be able to claim a final taxable grant of up to 70% of their average monthly trading profits over the last three tax years (2016/17, 2017/18 and 2018/19), paid out in a single instalment covering three months' worth of profit, and capped at £6,570 in total.

It is possible to claim the second grant without having claimed the first.

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?

Each 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.

Each partner in a partnership will need to make a claim based on their own circumstances.

Practicalities

HMRC has looked to invite those that are eligible to make an online application through the GOV.UK website. The claims service opened on 13 May 2020. This is the only way to access the scheme.

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.

In order to claim the second grant, the individual's business must have been adversely affected by COVID-19 on or after 14 July 2020. Claims for the second grant will be able to be made in August 2020.

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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 31 March 2021. 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

For more information

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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

For more information

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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

For more information

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Jim Wilson (Tax Controversy and Risk Management)
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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.

For more information

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Katie Selvey-Clinton (Capital allowances)
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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.

However, repayments will not be made where there are other outstanding tax debts (deferral of VAT does not create a debt for these purposes).

For more information

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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.

For more information

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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
- Those businesses that cannot benefit from the holiday should explore other reliefs that already exist in the business rates system

For more information

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Commercial rent payments

The Government confirmed that commercial landlords will be prevented from exercising the right to take back the premises (forfeiture) for non-payment of rent until (at least) 30 June 2020, where non-payment of rent is due to COVID-19. Any current forfeiture proceedings 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 (i) the use of statutory demands (where made between 1 March 2020 and the date one month after the Corporate Insolvency and Governance Bill comes into force) as the basis for a winding up petition presented after 27 April, and (ii) winding up petitions presented from Monday 27 April through to the date one month after the Bill comes into force, unless there are reasonable grounds to believe COVID-19 has not had a "*financial effect*" on the recipient of the petition or the non-payment would have occurred anyway. In each case the expiry deadline can be extended in line with the forfeiture moratorium. In addition, landlords will be prevented from using Commercial Rent Arrears Recovery (CRAR) unless they are owed at least 90 days of unpaid rent.

Practical considerations

Once the forfeiture moratorium is lifted, tenants will (absent other agreement) become immediately liable for the unpaid rent (potentially up to 6 months' arrears). This may make non-payment of rent unattractive. Contractual rent concessions may be more attractive to both landlord and tenant – for example rent reduction/deferral, rent free periods or changes to the usual payment cycle i.e. quarterly to monthly payments.

Concessions 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 require lender or other third party (i.e. superior landlord) consent. Tenants should also bear in mind that statutory demands are not entirely prohibited (where not used for winding up petitions) and a winding up petition will only be prohibited "if (and only if) the company's financial position worsens in consequence of, or for reasons relating to, COVID-19".

For more information

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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 grants

There are now three different grants available through the business rates system:

- Small Business Grant Fund – grants up to £10,000
- Retail, Hospitality and Leisure Grant – grants up to £25,000
- Local Authority Discretionary Grant Fund – grants up to £25,000

Practical considerations

- Properties included in this scheme are those which on 11 March 2020 were eligible for relief under the Small Business Rate Relief Scheme (including those with a rateable value between £12,000 and £15,000)
- Covers properties within these sectors which on 11 March 2020 had a rateable value of less than £51,000 and would have been eligible for a discount under the business rates holiday (see earlier section) had that scheme been in force for that date
- To qualify for this businesses must be small, under 50 employees, and they must also be able to demonstrate that they have seen a significant drop of income due to Coronavirus restriction measures

For more information

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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

For more information

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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 up to 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

For more information

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Global EY COVID-19 Stimulus Response Tracker

Our tracker provides a snapshot of the policy changes that have been announced in 135 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.

You can also access our:

- Tax Controversy Response Tracker
- Global Immigration Tracker
- Global Trade Tracker
- Global Employment Law Tracker

through our website at:

ey.com/en_gl/tax

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
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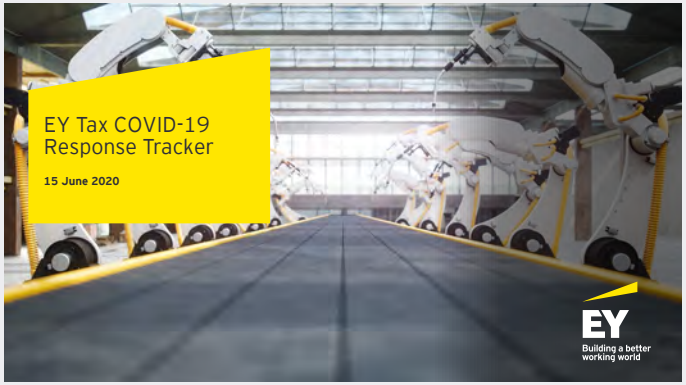
- Slovenia
- South Africa
- South Korea
- Spain
- Sweden
- Taiwan
- Thailand
- Ukraine
- United Kingdom
- United States



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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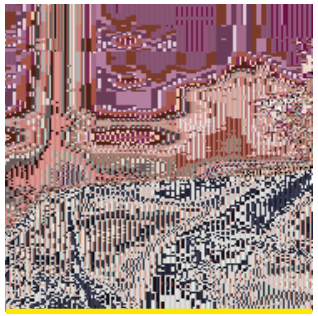

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