

Covid-19 Winter Economy Plan



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The Coronavirus (COVID-19) outbreak has impacted almost every aspect of life in the UK since early 2020 and has prompted Government to impose various restrictions in an attempt to control the rate of infection. The effects on the UK economy have been disruptive and far-reaching. In an attempt to support individuals and businesses adversely affected, the Government created a number of support grants and loan arrangements. This Factsheet outlines the major schemes available and has been updated following the Winter Economy Plan announced by the Chancellor, Rishi Sunak on 24 September 2020.

Coronavirus Job Retention Scheme

The Coronavirus Job Retention Scheme is open to all qualifying UK employers to access support to continue paying part of their employees' salary for those employees that would otherwise have been laid off during this crisis.

Qualifying businesses – with employees placed on furlough – could originally claim 80% of furloughed workers wage costs, up to a cap of £2,500 per month per employee from HMRC.

The terms of the scheme changed significantly from 1 July 2020, allowing employees to resume working part-time and from 1 August 2020, Government support for the scheme began to reduce with employers having to contribute.

From 1 October 2020, Government support is reduced to 60% of wages up to a reduced £1,875 cap. Employers will pay employers' NIC, pension costs and 20% of wages to a total cap of £2,500. The scheme ends on 31 October 2020.

Job Retention Bonus

The Job Retention Bonus provides for a £1,000 bonus payment to employers that bring back an employee that was furloughed under the CJRS, and continuously employs them for at least 3 months after the furlough scheme ends.

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Employees must be seen to be gainfully employed during this period and be paid at least £520 a month, on average, from November 2020 to January 2021. The £1,000 Government bonus will be payable for every employee retained under the stated terms. The bonus payments are expected to be made from February 2021.

Employers using the Job Support Scheme will also be able to claim the Job Retention Bonus if they meet the eligibility criteria.

Job Support Scheme

When the CJRS scheme closes on 31 October 2020, a new 6-month scheme will start from 1 November 2020. This scheme has been designed to support viable jobs and employees must work at least one-third of their hours, paid as normal, in order to qualify for the scheme. The Government and employer will then each cover one-third of any remaining hours the employee is not working.

Employees will therefore forego one-third of their pay for the hours that they have not been working. This means that employees working the minimum one-third of their hours will still receive at least 77% of their pay. After the scheme has been running for 3 months, the Government will consider whether to increase this minimum hours threshold.

Self-Employed Income Support Scheme

Earlier in this COVID-19 pandemic the Chancellor announced a scheme to assist self-employed workers. The Self-Employment Income Support Scheme (SEISS) was to run initially for 3 months with a single grant payment made, from 1 March 2020 up until 31 May 2020. The maximum available grant for the quarter was £7,500 paid in a single instalment.

The scheme was extended for a second and final three-month period from 1 June to 31 August 2020. The maximum grant available for the final three-month period was £6,570 paid in a single instalment. The application process for the second quarter must be completed by 19 October 2020.

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Self Employed Income Support Scheme Extension

The Self-Employed Income Support Scheme (SEISS) extension will apply for 6 months from 1 November 2020. The initial lump sum will cover three months of profits from 1 November 2020 calculated as 20% of average monthly profits, up to a total of £1,875.

An additional second grant will be available from 1 February 2021 to 30 April 2021, but the level of this second grant amount is subject to review. The level of support is based on similar terms and conditions to the Jobs Support Scheme.

To be eligible for the scheme, self-employed individuals, including members of partnerships, must meet the following criteria:

- Currently be eligible for the SEISS (although they do not have to have claimed the previous grants).
- Declare that they are currently actively trading and intend to continue to trade.
- Declare that they are impacted by reduced demand due to COVID-19 in the qualifying period.

The qualifying period for the first grant is between 1 November and the date of claim.

Support for businesses paying tax and VAT

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

VAT registered businesses had the option to defer any VAT payments due between 20 March 2020 and 30 June 2020. There was no application process required to defer the relevant payment. However, businesses could still choose to pay any VAT due as normal. If you chose to defer your VAT, the payment was due to be paid in full to HMRC by 31 March 2021.

In delivering his Winter Economy Plan to Parliament, the Chancellor confirmed that businesses will instead be able to make 11 smaller interest-free payments during the 2021-22 financial year.

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Self-Assessment payment deadlines

Taxpayers that were due to make their second payment on account for the 2019-20 tax year had the option to have the payment due date deferred until 31 January 2021.

It will now be possible to benefit from a separate additional 12-month extension from HMRC on the “Time to Pay” self-service facility for this payment and also for payments due in January 2021 extending the deadline until January 2022.

Loan Deadlines Extended

Businesses that have taken out a Bounce Back Loan will be able to benefit from a new Pay As You Grow flexible repayment system.

This will include an extension in the loan term from six to ten years. There will also be new options for interest-only repayments for up to six months as well as payment holidays.

The Coronavirus Business Interruption Loans will also have their Government guarantee extended to ten years.

The deadline for applying for all the Government’s coronavirus loan schemes will be standardised and pushed back until 30 November 2020.

A new successor loan guarantee programme is also expected to be introduced early next year.

VAT reduction for hospitality and tourism sector

The VAT reduction that was announced as part of the Summer Economic update was scheduled to end on 12th January 2021.

The end date for the VAT cut has now been extended until 31 March 2021 to give the affected sectors more time to adjust to the difficult trading conditions.

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This means that VAT charged on food, accommodation and attractions (such as eat-in or takeaway food in restaurants, cafes and pubs, cinemas, theme parks and zoos) will see VAT reduced from 20% to 5% until the end of March 2021.

Please contact us if you would like further information
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