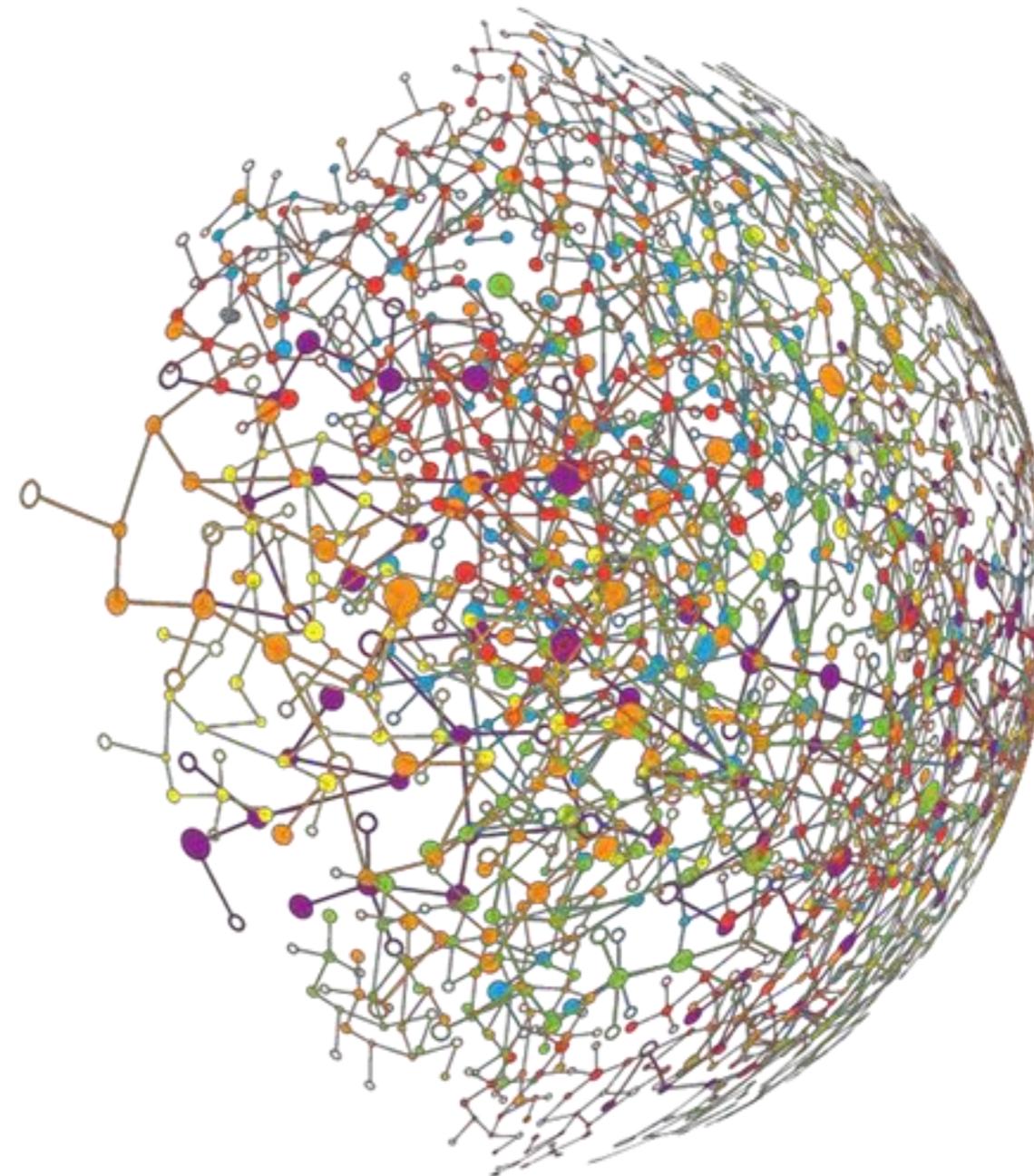


COVID-19 – GOVERNMENT FUNDING

SUMMARY OF ANNOUNCED SCHEMES IN THE UK

27TH MARCH 2020



INTRODUCTION

ABOUT US

Pawley & Malyon are a firm of Chartered Accountants and Statutory Auditors who pride themselves on giving your business the time and effort it deserves. Blending traditional values with a modern approach, we pride ourselves on the ability to provide your business with personal, forward looking advice, based on your unique requirements.

At Pawley & Malyon, the aim is to help our clients focus on important business decisions, by simplifying compliance and proactively interacting with them on day to day finance matters.

COVID-19 (CORONAVIRUS)

Coronavirus is a global health crisis with far reaching implications, the extent of which are still becoming apparent. The overwhelming priority is now to contain the virus and minimise its spread, reducing the impact it will have on individuals, families and communities around the world. Our thoughts are with all those that have been affected.

We at Pawley & Malyon are committed to supporting our clients through this period of extended uncertainty. Our staff are already working to provide guidance and support to our clients.

Events are moving very fast and information is constantly being updated in relation to the UK Government's funding response to Covid-19. Our aim is to summarise the information we are currently aware of and make this available to our clients and contacts.

This publication has been written in general terms and may not include all relevant information. We recommend that you obtain professional advice before acting or refraining from action on any of the contents of this publication. There are a few areas where we are expecting further clarification in relation to the process of defining and agreeing the relevant scheme's details, specifications and eligibility and therefore information is subject to change.

KEY RESOURCES

Useful information can be found listed below:

<https://www.businesssupport.gov.uk/coronavirus-business-support/>

<https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils/>

<https://www.nhs.uk/conditions/coronavirus-covid-19/>

DISCLAIMER

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GOVERNMENT FUNDING – SUMMARY OF ANNOUNCED SCHEMES IN THE UK

A RAFT OF MEASURES HAS BEEN ANNOUNCED BY THE GOVERNMENT REGARDING FINANCIAL SUPPORT

Coronavirus Job Retention Scheme

- ✦ Coronavirus Job Retention Scheme where all UK employers with a PAYE scheme will be able to access support to continue paying part of their employees' salary for those who would otherwise have been laid off during this crisis. [Find out more.](#)

VAT Deferral

- ✦ This is an automatic offer with no applications required. UK Registered businesses will not need to make VAT payments normally due with VAT returns during this period. Taxpayers will be given until the end of the 2020-21 tax year to pay any liabilities that have accumulated during the deferral period. VAT refunds and reclaims will be paid by the government as normal. [Find out more.](#)
- ✦ Customers who normally pay by direct debit should cancel their direct debit with their bank if they are unable to pay. Please do so in enough time so that HMRC do not attempt to automatically collect on receipt of your VAT return.

Time to Pay Scheme

- ✦ Time to Pay – 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. [Find out more.](#)
- ✦ If you've missed, or are worried about missing, your next tax payment due to coronavirus, please contact HMRC. You can also call the HMRC helpline for advice on 0800 0159 559.

Income Tax Deferral

- ✦ Income Tax Deferral for the Self-Employed under the Self-Assessment System until January 2021. [Find out more.](#)
- ✦ This is an automatic offer with no applications required. No penalties or interest for late payment will be charged in the deferral period.
- ✦ Customers who normally pay by direct debit should cancel their direct debit with their bank if they are unable to pay. Please do so in enough time so that HMRC do not attempt to automatically collect on or around 31 July 2020.

Small Business Grant Funding

- ✦ Small Business Grant Funding for small businesses in England that already pay little or no business rates because of small business rate relief, rural rate relief and tapered relief. [Find out more.](#)
- ✦ The Government is providing additional funding for Local Authorities to support small businesses that already pay little or no business rates because of small business rate relief (SBRR), rural rate relief (RRR) and tapered relief. This will provide a one-off grant of £10,000 to eligible businesses to help meet their ongoing business costs.
- ✦ Cash grants for small businesses receiving Small Business Rate Relief. [Find out more.](#)
- ✦ Cash grants of £10,000 will be paid to businesses receiving Small Business Rate Relief or Rural Rate Relief.
- ✦ Businesses must occupy property to qualify.

Coronavirus Business Interruption Loan Scheme

- ✦ Coronavirus Business Interruption Loan Scheme which will help businesses affected to access bank lending and overdrafts if they need to. For loans up to £5 million, the Government is providing a guarantee for each loan. [Find out more.](#)

Statutory Sick Pay

- ✦ Statutory Sick Pay Rebate to allow small and medium-sized businesses to reclaim Statutory Sick Pay paid for staff absence due to coronavirus. [Find out more.](#)

Covid-19 Corporate Financing Facility

- ✦ Covid-19 Corporate Financing Facility where the Bank of England will buy short-term debt from larger companies. [Find out more.](#)
- ✦ The new Covid-19 Corporate Financing Facility (CCFF) means that the Bank of England will buy short-term debt from larger companies. This will support companies which are fundamentally strong but have been affected by a short-term funding squeeze. It will also support corporate finance markets overall and ease the supply of credit to all firms. The scheme will be funded by central bank reserves – in line with other Bank of England market operations. It will operate for at least 12 months, and for as long as steps are needed to relieve cash flow pressures on firms that make a material contribution to the UK economy.
- ✦ In order to access the CCFF, you will need to contact your bank. It is important to note that not all banks issue commercial paper. If your bank does not issue commercial paper, UK Finance will provide a list of banks that are able to assist. More information can be found on the Bank of England website.

Business Rates Holiday

- ✦ Business Rates Holiday for Retail, Hospitality and Leisure sectors in England for the 2020-21 tax year. [Find out more.](#)
- ✦ Up to £25,000 per property Cash Grant for Retail, Hospitality and Leisure in England. [Find out more.](#)
- ✦ Business rates holiday for nurseries in England for the 2020 to 2021 tax year. [Find our more.](#)

Self-employment Income Support Scheme

- ✦ **Self-employment Income Support Scheme** – will provide grants to self-employed individuals or partnerships negatively impacted by COVID-19, worth 80% of their profits up to a cap of £2,500 per month. [Find out more.](#)

CORONAVIRUS JOB RETENTION SCHEME

KEY FACTS

What is it?

Under the Coronavirus Job Retention Scheme, all UK employers with a PAYE scheme will be able to access support to continue paying part of their employees' salary for those that would otherwise have been laid off during this crisis. This applies to employees who have been asked to stop working, but who are being kept on the pay roll, otherwise described as 'furloughed' workers. HMRC will reimburse employers 80% of their wages, up to £2,500 to a maximum of £2,500 per month. This is to safeguard workers from being made redundant. The Coronavirus Job Retention Scheme will cover the cost of wages backdated to March 1st and is initially open for 3 months but will be extended if necessary. Employers will be able to make a claim for the money once HMRC's new system is available. The portal is expected to open next week with payments due by the end of April. HMRC are working urgently to set up a system for reimbursement.

This is a grant that reimburses businesses so it may cause cash flow issues. We expect the first grants to be paid within weeks, and we're aiming to get it done before the end of April. If your business needs short term cash flow support, you may be eligible for a Coronavirus Business Interruption Loan.

How do I access it?

Employers will need to designate relevant staff as furloughed workers. Staff can be furloughed for up to 3 months (this timescale is subject to review and may be extended). The employer needs to get agreement from the worker to do this, unless it's covered by a clause in the employment contract. Any furlough agreements should be in writing. It's a good idea to include:

- ◆ the date furlough starts and when it will be reviewed
- ◆ how to keep in contact during furlough
- ◆ they can't work elsewhere while furloughed

A worker will stay employed while they are furloughed, but they must not work, they will continue to accrue annual leave while furloughed and it does not interrupt an employee's continuity of service.

For clients where Pawley & Malyon (including via ABCO) administer the company payroll, Amanda will be contacting you in more detail about the Coronavirus Job Retention Scheme including a sample letter that can be used for employees to sign once you have had the initial discussion with them and agreed that they will be furloughed (which can be from 1 March 2020 onwards for up to 3 months at present). If you then have any employees who will be furloughed please can you convey this to Amanda as soon as possible and ideally by 10 April so that she can liaise with both you and ABCO to ensure we have all of the necessary information to include this in the April payroll.

Next steps

- ◆ If you have staff to be furloughed, please ensure you discuss this with them and get agreement in writing
- ◆ Furlough Pay will be calculated, and this will be identified by a new pay component. Pay will be based on February 2020 pay. This will be on regular basic pay only not overtime or bonuses. If employees have been off sick calculations will be based on the amounts excluding sick pay – this is based on information we have received but we are still awaiting confirmation from Government.
- ◆ Payroll will be processed with the furloughed pay, including standard deductions
- ◆ HMRC will reimburse the 80% of gross pay, the employer will just remain liable for the employer NI and pension payments.
- ◆ Once the mechanism for the reclaim is live we will be able to confirm if we will be able to manage these reclaims on your behalf.

When can I access it?

HMRC are working urgently to set up a system for reimbursement. We expect the first grants to be paid within weeks.

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CORONAVIRUS BUSINESS INTERRUPTION LOAN SCHEME (CBILS)

KEY FACTS

What is it?

CBILS has been introduced by the UK Government as a temporary measure with the aim of supporting the continued provision of finance to UK SMEs during the COVID-19 outbreak. The scheme is designed to provide lenders with a government-backed guarantee, potentially enabling a ‘no’ credit decision from a lender to become a ‘yes’. The government has announced that CBILS will be demand-led and will be resourced accordingly.

CBILS is administered by the British Business Bank and made available to businesses via more than 40 accredited lenders, including the major high street banks. Whilst details on the scheme are available on the British Business Bank web site, that organisation is a wholesale funder and businesses should apply via their existing bank or a lender accredited via the scheme. A full list of accredited suppliers can be found [here](#).

The scheme has been designed with the intention of offering considerable flexibility to SMEs. However, businesses would be wise to seek advice when applying for funds.

Key features of the scheme

- ◆ **Up to £5m facility:** The maximum value of a facility provided under the CBILS scheme will be £5m, available on repayment terms of up to six years.
- ◆ **Interest and fees paid by government for 12 months:** The government will make a Business Interruption Payment to cover the first 12 months of interest payments and any lender-levied fees, so smaller businesses will benefit from no upfront costs and lower initial repayments.
- ◆ **Security:** Security against repayment of the loan will be determined at the discretion of the lender. The scheme may be used for unsecured lending for facilities of £250,000 and under. For facilities above £250,000, the lender must establish a lack or absence of security prior to businesses using CBILS.
- ◆ **Finance terms:** Finance terms are up to six years for term loans and asset finance facilities. For overdrafts and invoice finance facilities, terms will be up to three years.
- ◆ **80% guarantee:** The scheme provides the lender (i.e. the bank or alternative lender) with a government-backed, partial guarantee (80%) against the outstanding facility balance, subject to an overall cap per lender.
- ◆ **No guarantee fee for SMEs to access the scheme:** There is no fee payable by smaller businesses to access the scheme. Lenders will pay a small fee to access the scheme.
- ◆ **The borrower always remains 100% liable for repayment of the debt:** Whilst this is a very generous scheme, ultimately the borrower (i.e. the business customer) remains liable for repayment of the debt. Debt repayment holidays or payment deferrals will be at the discretion of the lender. If the lender can offer finance on normal commercial terms without the need to make use of the scheme, they will do so.

Eligibility and additional features

- ◆ **Viability:** An SME must submit a borrowing proposal to a bank or approved alternative lender which, “were it not for the current pandemic, would be considered viable by the lender”. In effect this means that the lender must believe that the provision of finance will enable the business to trade out of any short-to-medium term difficulty. This is a very important condition and means that SMEs would be wise to prepare applications carefully and discuss their applications with both their preferred lender, accountant or business advisor.
- ◆ **Lack of security:** The scheme may be very attractive for smaller companies in that for facilities of £250k and under, the CBIL Scheme may be used for unsecured lending. However, businesses should remember that the borrower always remains liable for repayment of the debt. For facilities over £250k, the CBIL Scheme still requires you to establish a lack or absence of collateral.
- ◆ **Additional flexibility around industry sectors:** Facilities are also available to cover companies and individual traders operating in sectors not previously covered by the Enterprise Finance Guarantee scheme such as: haulage, agriculture, fisheries and aqua culture.
- ◆ **Company size:** To be eligible a company must have a turnover of no more than £45m and meet certain other criteria, such as having fewer than 250 employees.
- ◆ **Ineligible businesses and sectors:** Fishery, aquaculture and agriculture businesses may not qualify for the full interest and fee payment. The following trades and organisations are not eligible to apply banks, building societies, insurers and reinsurers (but not insurance brokers); the public sector including state funded primary and secondary schools; employer, professional, religious or political membership organisations, or trade unions.

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SELF-EMPLOYMENT INCOME SUPPORT SCHEME (SEISS)

KEY FACTS

What is it?

The Self-employment Income Support Scheme (SEISS) will support self-employed individuals (including members of partnerships) whose income has been negatively impacted by COVID-19. The scheme will provide a grant to self-employed individuals or partnerships, worth 80% of their profits up to a cap of £2,500 per month.

HMRC will use the average profits from tax returns in 2016-17, 2017-18 and 2018-19 to calculate the size of the grant. The scheme will be open to those where the majority of their income comes from self-employment and who have profits of less than £50,000. The scheme will be open for an initial three months with people able to make their first claim by the beginning of June.

Am I eligible?

To be eligible for the scheme you must meet all the criteria below:

- ◆ Be self-employed or a member of partnership;
- ◆ Have lost trading/partnership trading profits due to COVID-19;
- ◆ File a tax return for 2018-19 as self-employed or a member of a trading partnership. Those who have not yet filed for 2018-19 will have an additional 4 weeks from this announcement to do so;
- ◆ Have traded in 2019-20; be currently trading at the point of application (or would be except for COVID 19) and intend to continue to trade in the tax year 2020 to 2021
- ◆ Have trading profits of less than £50,000 and more than half of your total income come from self-employment. **This can be with reference to at least one of the following conditions:**
 - ◆ Your trading profits and total income in 2018/19
 - ◆ Your average trading profits and total income across up to the three years between 2016-17, 2017-18, and 2018-19.

How do I access it?

Individuals should not contact HMRC now. HMRC will use existing information to check potential eligibility and invite applications once the scheme is operational. HMRC will then pay the grant directly to eligible claimants' bank account. HMRC is urgently working to deliver the scheme; grants are expected to start to be paid out by beginning of June 2020. For eligible individuals who have not submitted their returns for 2018-19, they will have 4 weeks' notice from the date of the announcement to file their returns and therefore become eligible for this scheme.

When can I access it?

HMRC is urgently working to deliver the scheme; grants are expected to start to be paid by the beginning of June 2020. This time is necessary to ensure that the scheme is both deliverable and fair. In the interim the self-employed will still be eligible for other government support including more generous universal credit and business continuity loans.

CONTACT US

IN LINE WITH GOVERNMENT ADVICE, WE ARE ALL CURRENTLY WORKING FROM HOME AND THEREFORE WHERE POSSIBLE PLEASE CONTACT US BY E-MAIL IN THE FIRST INSTANCE

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