

COVID-19 BUSINESS UPDATE

WINTER ECONOMY PLAN

Here are the headlines from the Chancellors statement in Parliament on 24 September 2020 where a series of measures to help jobs and businesses were announced.

NEW JOB SUPPORT SCHEME ANNOUNCED

Chancellor Rishi Sunak announced a new job scheme starting 1 November 2020 to replace the current Job retention (“furlough”) scheme which ends 31 October 2020.

All small and medium-sized businesses are eligible, larger businesses must show their turnover has fallen during the pandemic. Employers can use the new scheme even if they have not previously used the furlough scheme.

The new Government scheme will last for six months to 30 April 2021 and to be eligible employees will need to be working a minimum of 33% of their hours. For the remaining hours not worked the Government and employer will pay one third of wages each.

This means:

- Employers will continue to pay the wages of staff for the hours they work - but for the hours not worked, the government and the employer will each pay one third of their equivalent salary.
- Employees will still be paid two thirds of the hours for those hours they can't work.

The level of grant will be calculated based on employee's usual salary, capped at £697.92 per month.

By way of an example an employee working 33% of their hours will receive at least 77% of their pay, 22% paid by the Government and 55% paid by their employer (the “worked” 33% plus 22%).

See: [Government Guidance - Job Support Scheme](#)

SELF-EMPLOYED INCOME SUPPORT SCHEME

The existing self-employed grant (SEISS) will also be extended on the same basis as the job support scheme.

An initial taxable grant will be provided to those who are currently eligible for SEISS and are continuing to actively trade but face reduced demand due to coronavirus. The initial lump sum will cover three months' worth of profits for the period from November to the end of January next year. This is worth 20% of average monthly profits, up to a total of £1,875.

An additional second grant, which may be adjusted to respond to changing circumstances, will be available for self-employed individuals to cover the period from February 2021 to the end of April.

You should note the deadline date for claiming the existing SEISS grant is 19 October 2020.

VAT CUT FOR HOSPITALITY SECTOR CONTINUES

The reduction in VAT to 5% for the hospitality and tourism sector will be extended until 31 March 2021.

DEFERRAL OF VAT BILLS

Businesses that deferred VAT due from 20 March 2020 to 30 June 2020 will now have the option to pay in smaller payments over a longer period.

Instead of paying the full amount by the end of March 2021, HMRC have confirmed businesses can make smaller payments up to the end of March 2022, interest free.

You will need to opt-in to the scheme, and for those that do, this means that your VAT liabilities due between 20 March 2020 and 30 June 2020 do not need to be paid in full until the end of March 2022.

Those that can pay their deferred VAT can do so by 31 March 2021.

If you are still unable to pay the VAT due and need more time, you can contact HMRC by phoning: 0300 200 3835.

More information on the scheme will be available in the coming months and we will keep you up to date when changes occur.

See: [Government Guidance - VAT Deferral](#)

SELF-ASSESSMENT TAXPAYERS – TIME TO PAY EXTENSION

Self Assessment taxpayers can apply online for additional support to help spread the cost of their tax bill into monthly payments from 1 October 2020 without the need to call HM Revenue and Customs.

The online payment plan service can already be used to set up instalment arrangements for paying tax liabilities up to £10,000. From 1 October 2020, HMRC has increased the threshold to £30,000 for Self Assessment customers, to help ease any potential financial burden they may be experiencing due to the coronavirus pandemic.

The increased self-serve Time to Pay limit of £30,000 follows the Chancellor's announcement on 24 September to increase support for businesses and individuals through the uncertain months ahead.

As part of his speech, the Chancellor announced that Self Assessment customers could pay their deferred payment on account bill from July 2020, any outstanding tax owed for 2019 to 2020 and their first payment on account bill for this current tax year in monthly instalments, up to 12 months, via this self-serve tool. Customers who need longer than 12 months to settle their tax liabilities are invited to contact HMRC in the usual way.

Those who wish to set up their own self-serve Time to Pay arrangements must meet the following requirements:

- they need to have:
 - no outstanding tax returns
 - no other tax debts
 - no other HMRC payment plans set up
- the debt needs to be between £32 and £30,000
- the payment plan needs to be set up no later than 60 days after the due date of a debt.

BOUNCE BACK LOANS - FLEXIBILITY GIVEN TO PAY BACK AMOUNTS BORROWED

More than a million businesses who took out a Bounce Back Loan will get more repayment time through a new Pay as You Grow flexible repayment system.

This includes extending the length of the loan from six years to ten, which will cut monthly repayments by nearly half. Interest-only periods of up to six months and payment holidays will also be available to businesses.

The Government also intends to give Coronavirus Business Interruption Loan Scheme lenders the ability to extend the length of loans from a maximum of six years to ten years if it will help businesses to repay the loan.

The chancellor also announced an extension in applications for the government's coronavirus loan schemes until the end of November.

Further guidance will be issued in due course.

See: [Government Guidance - Winter Economy Plan](#)
