

GOVERNMENTAL SUPPORT DURING CORONAVIRUS



In the Budget, the Chancellor announced a package of measures to support individuals and businesses during Coronavirus. He put much emphasis on the impact being temporary and, as such, the measures he announced have a similarly temporary lifespan.

This note focuses on the package of measures targeted at individuals and businesses.

INDIVIDUALS

The Budget announced measures to support people who are unable to work because of Coronavirus. The main measures announced are summarised below.

• Eligibility for statutory sick pay (SSP)

Temporarily the government will allow SSP to be paid from the first day of sickness absence, rather than the fourth day.

This will apply to people who are infected with Coronavirus, have to self isolate or are caring for those within the same household who display Coronavirus symptoms and have been told to self-isolate, in accordance with government guidelines.

• Medical evidence for SSP

The government and the NHS will bring forward a temporary alternative to the fit note in the coming weeks which can be used for the duration of the Coronavirus outbreak.

This system will enable people who are advised to self-isolate to obtain a note by calling the NHS on 111 which they can use as evidence for absence from work, where necessary.

This note is intended to meet employers' need for evidence, so HR departments may need to adapt their procedures regarding this fit note alternative.

BUSINESSES

The disruption businesses could suffer include:

- temporary absences from work
- interruptions to global supply chains
- demand-side impacts through a reduction in consumer spending and restrictions on exports
- lower business investment.

The Budget announced a set of temporary measures to provide support to businesses during this period by reducing their costs or bridging cash flow problems arising from the outbreak.

• Statutory sick pay

The government will refund SSP costs to businesses with fewer than 250 employees (tested against the February payroll).

The eligibility criteria for the scheme are as follows:

- This refund will be limited to two weeks per eligible employee off work because of Coronavirus
- Employers should maintain records of staff absences but not require employees to provide a GP fit note
- The eligible period for the scheme will start from the day on which the regulations extending SSP to self-isolators come into force.

Existing HMRC systems are not designed to facilitate such employer refunds for SSP so expect delays when claiming these refunds.

A general review of policies and procedures may be needed. While the measures regarding SSP are welcome, SSP is paid at a rate of only £94.25 per week. Businesses will often have a policy of paying more and this may need to be adapted to be relevant to Coronavirus issues such as the need to self-isolate.

• Business rates reliefs

The government is increasing the business rates retail discount from 50% to 100% for 2020-21 and will extend it to the leisure and hospitality sectors.

The £1,000 business rates discount for pubs with a rateable value below £100,000 for 12 months from 1 April 2020 will be increased to £5,000.

This will reduce costs on around 900,000 properties but will give no relief to the majority of businesses in the UK.

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• Small and rural business grant funding

For small businesses who benefit from small business rate relief (SBRR) or rural rate relief, the government is providing a non-refundable grant of £3,000 to around 700,000 eligible business.

• Time to pay

HMRC has set up a dedicated Coronavirus helpline to help businesses suffering cash flow difficulties. They can agree a bespoke time-to-pay arrangement to defer payment of PAYE, VAT or Corporation Tax.

HMRC may also waive late payment penalties and interest where a business experiences administrative difficulties contacting HMRC or paying taxes due to Coronavirus.

The HMRC helpline number is 0800 0159 559 and opening hours are Monday to Friday 8am to 8pm, and Saturday 8am to 4pm. It is not available on bank holidays.

HMRC has deployed 2,000 people to work in this call centre but delays should be expected. Ideally avoid calling in the middle of the day when demand for this service is expected to peak.

• Coronavirus business interruption loan scheme

The government will launch a temporary Coronavirus business interruption loan scheme, delivered by the British Business Bank, to help businesses to access bank lending and overdrafts.

The government will provide lenders with a guarantee of 80% on each loan to reduce barriers to lenders providing finance to SMEs.

The scheme will support loans of up to £1.2 million in value for each business.

The British Business Bank is still working through the detail but their website (www.british-business-bank.co.uk) says (as at 13 March 2020), "It will operate in a similar way to the enterprise finance guarantee (EFG) and be provided by the British Business Bank, but will offer more attractive terms for both businesses and lenders, with the aim of supporting the continued provision of finance to UK businesses during the Covid-19 outbreak."

The enterprise finance guarantee has conditions and exclusions so we are waiting to see how many of these will also apply to the business interruption loan scheme. Although this scheme appears generous at first glance, actually obtaining the loan may not be straightforward. Immediate cash flow problems are better dealt with by engaging early with HMRC on a time-to-pay arrangement to defer payment of PAYE, VAT or corporation tax.

With such a diverse range of measures put together by a Chancellor only 27 days into his new job as the world faces a pandemic, we expect there to be teething problems with the implementation. However, there is a strong commitment from government to make this work and take further steps if required in the coming months.