

# Briefing Note - 23 March 2020

## Government financial support for business in response to COVID-19

### Headlines

The Chancellor has set out a package of measures to support public services, people and businesses through the period of disruption caused by COVID-19.

#### Measures include the following:

- The Coronavirus Business Interruption Loan Scheme offering loans of up to £5,000,000 for SMEs through the British Business Bank
- A new lending facility from the Bank of England to help support liquidity among larger firms, helping them bridge coronavirus disruption to their cash flows through loans
- A 12-month business rates holiday for retail, hospitality, and leisure businesses in England
- A job retention scheme
- Deferral of VAT and income tax
- Statutory sick pay relief for SMEs
- Small business grant funding of £10,000 for all business in receipt of small business rate relief or rural rate relief
- Grant funding of £25,000 for retail, hospitality and leisure businesses with property with a rateable value between £15,000 and £51,000
- The HMRC Time to Pay Scheme

### Measures

Set out in this table are key details of the various support measures being put in place.

Measure	What is it?	Eligibility	How can you apply?
<b>Coronavirus Business Interruption Loan Scheme</b>	<ul style="list-style-type: none"><li>• The product will be provided through the British Business Bank through participating providers, a full list can be found at the link below, but this includes most high street lenders. <a href="https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils/accredited-lenders/">https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils/accredited-lenders/</a></li></ul>	<ul style="list-style-type: none"><li>• To be eligible for a facility under CBILS, an SME must:<ul style="list-style-type: none"><li>- be UK-based in its business activity, with annual turnover of no more than £45m</li><li>- generate more than 50% of its turnover from trading activity</li><li>- show that it has a sound borrowing</li></ul></li></ul>	<ul style="list-style-type: none"><li>• The scheme will become available in the week commencing 23 March 2020.</li><li>• Businesses should approach their own provider in the first instance, ideally via their website, as telephone lines will be extremely busy.</li><li>• If the accredited lender can offer finance on</li></ul>

- A wide range of business finance products will be available (varying by provider) including term facilities, overdrafts, invoice finance facilities and asset finance facilities.
- The maximum value of a facility provided under the scheme will be £5 million pounds.
- The government will provide lenders with a guarantee of 80% of each loan. No charge will be made for giving the guarantee.
- The loans will be interest-free for the first 12 months. The business remains liable for repayments of the capital.
- 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.
- At the discretion of the lender, the scheme may be used for unsecured lending for facilities of up to £250,000. For facilities above £250,000, the lender "must establish a lack or absence of security prior to businesses using CBILS".
- Some lenders have indicated they will not charge arrangement fees or early repayment charges to SMEs borrowing under the scheme.

proposal and show in it that were it not for the COVID-19 pandemic, the business would be considered viable for the lender.

- Fishery, aquaculture and agriculture businesses may not qualify for the full interest and fee payment.
- The following entities are not eligible: 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 organisation or trade unions.
- Decision-making on whether you are eligible for CBILS is fully delegated to the 40+ accredited CBILS lenders who range from high-street banks, to challenger banks, asset-based lenders and smaller specialist local lenders.

normal commercial terms without the need to make use of the scheme, they will do so.

## Covid Corporate Financing Facility (CCFF)

- The BoE has announced a new lending facility for larger businesses who do not qualify for CBILS (businesses with annual turnover in excess of £45 million). The scheme will be run by the BoE on behalf of the Treasury.
- The idea is to provide short-term working capital for companies which are fundamentally strong, but have been affected by a short-term funding squeeze, enabling them to continue financing their short-term liabilities.
- It is intended CCFF will be a temporary measure and the closing date will be dependent on the economic outlook.
- Businesses will need to liaise with their bank to create commercial paper which will then be used in the application process to the BoE (further details in right hand column).
- Eligible businesses will be those that make a “material contribution” to the UK economy.
- In practice, firms that meet this requirement would normally be UK incorporated companies, including those with foreign-incorporated parents with a genuine business in the UK; companies with significant employment in the UK; firms with their headquarters in the UK.
- Firm must be able to demonstrate they were in “sound financial health” prior to the shock.
- The clearest way to demonstrate sound financial health is to have, or acquire, a credit rating. For such firms, investment grade means a short-term rating of A3/P3/F3 or above, a long-term rating above BBB-/Baa3/BBB- by at least one of the major credit agencies (S&P, Moody’s or Fitch).
- If you do not have an existing credit rating from the major credit agencies, one potential route to evidencing credit status is for your firm or your bank to get in touch with one of the major credit agencies to seek an assessment of credit quality that can be shared with the BoE and the Treasury. Forms of acceptable credit ratings can be found here:  
<https://www.bankofengland.co.uk/news/2020/march/the-covid-corporate-financing-facility>
- In order to access CCFF, you will need to liaise with your bank. You and your bank will need to publish commercial paper with the following characteristics:
  - maturity of one week to twelve months
  - where available, a credit rating of A-3 / P-3 / F-3 from at least one of Standard & Poor’s, Moody’s and Fitch as at 1 March 2020
- Commercial paper is an unsecured, short-term debt instrument issued by a company
- However, not all banks issue commercial paper. UK Finance is expected to provide a list of banks that are able to assist shortly.
- Application forms, terms and conditions and operating procedures will be published on the BoE’s website shortly.

## Business rates relief

- A business rates holiday for retail, hospitality and leisure businesses for the 2020 to 2021 tax year.
- Businesses that received the retail discount in the 2019 to 2020 tax year will be rebilled by their local authority as soon as possible.
- The relief is to be applied by local authorities on a discretionary basis under section 47 Local Government Finance act 1988, although it will be fully funded by central government.
- Full guidance for local authorities has been provided:  
<https://www.gov.uk/government/publications/business-rates-retail-discount-guidance>
- Properties that will benefit from the relief will be occupied hereditaments that are wholly or mainly being used as:
  - shops, restaurants, cafes, drinking establishments, cinemas and live music venues,
  - for assembly and leisure; or
  - as hotels, guest and boarding premises and self-catering accommodation.
- The guidance states that shops mean “hereditaments that are being used for the sale of goods to visiting members of the public: shops (such as: florists, bakers, butchers, grocers, greengrocers, jewellers, stationers, off licences, chemists, newsagents, hardware stores, supermarkets etc)”.
- The list is not intended to be exhaustive - but is intended as a guide for local authorities. Authorities should determine for themselves whether particular properties that are not listed are broadly similar in nature to those above and, if so, to consider them eligible for the relief. Conversely, properties that are not broadly similar in nature to those listed above should not be eligible for relief.
- The guidance also provides a list of uses that are specifically not eligible for relief. These are: financial services, other services (e.g. estate agents, letting agents, employment agencies); medical services (e.g. vets, dentists); professional services (e.g. solicitors, accountants, insurance agents, financial advisers, tutors); post office sorting offices; casinos and gambling clubs). The examples given do not focus on the sale of goods to visiting members of the public.
- There is no application required.
- Any enquiries on eligibility for, or provision of, the reliefs should be directed to the relevant local authority.

<b>Support for nursery businesses that pay business rates</b>	<ul style="list-style-type: none"> <li>• A business rates holiday for nurseries in England for the 2020 to 2021 tax year.</li> </ul>	<ul style="list-style-type: none"> <li>• The business must be based in England</li> <li>• Properties that will benefit from the relief will be hereditaments: <ul style="list-style-type: none"> <li>- occupied by providers on Ofsted’s Early Years Register</li> <li>- wholly or mainly used for the provision of the Early Years Foundation Stage</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• There is no action. This will apply to the next council tax bill in April 2020. However, local authorities have said they may need to reissue bills to exclude the business rate charge.</li> </ul>
<b>Coronavirus Job Retention Scheme</b>	<ul style="list-style-type: none"> <li>• UK employers will be able to access support to continue paying part of their employees’ salary for those employees that would otherwise have been laid off during the crisis.</li> </ul>	<ul style="list-style-type: none"> <li>• All UK businesses are eligible.</li> </ul>	<ul style="list-style-type: none"> <li>• Employers will need to: <ul style="list-style-type: none"> <li>- designate affected employees as “furloughed workers” and notify them of the change. This may be subject to negotiation depending on the employment contract.</li> <li>- Submit information to HMRC about the employees that have been furloughed and their earnings through a new online portal (HMRC will set out further details on the information required).</li> </ul> </li> <li>• HMRC will reimburse 80% of furloughed workers wage costs, up to a cap of £2,500 per month. A scheme is being set up to facilitate the payments.</li> </ul>
<b>Deferment of VAT and Income Tax payments</b>	<ul style="list-style-type: none"> <li>• VAT payments will be deferred for 3 months, applying from 20 March 2020 until 30 June 2020.</li> </ul>	<ul style="list-style-type: none"> <li>• All UK businesses are eligible.</li> </ul>	<ul style="list-style-type: none"> <li>• There is no application required, businesses will not need to make a VAT payment during this period.</li> <li>• Taxpayers will be given to the end of the 2020 to 2021 tax year to pay any liabilities that have accumulated during the deferral</li> </ul>

<p><b>Cash grants for retail, hospitality, and leisure businesses</b></p>	<ul style="list-style-type: none"> <li>• The Retail and Hospitality Grant Scheme provides businesses in the retail, hospitality and leisure sectors with a cash grant of up to £25,000 per property.</li> <li>• For businesses in these sectors with a rateable value of under £15,000, they will receive a grant of £10,000.</li> <li>• For businesses in these sectors with a rateable value of between £15,001 and £51,000, they will receive a grant of £25,000.</li> </ul>	<ul style="list-style-type: none"> <li>• The business must be based in England</li> <li>• The business must be in the retail, hospitality and/or leisure sectors</li> <li>• Properties that will benefit from the relief will be occupied hereditaments that are wholly or mainly being used: <ul style="list-style-type: none"> <li>- as shops, restaurants, cafes, drinking establishments, cinemas and live music venues</li> <li>- for assembly and leisure</li> <li>- as hotels, guest and boarding premises and self-catering accommodation.</li> </ul> </li> </ul>	<p>period. VAT refunds and reclaims will be paid by the government as normal.</p> <ul style="list-style-type: none"> <li>• Businesses do not need to do anything. Local authorities will write to you if you are eligible for the grant.</li> <li>• Guidance for local authorities on the scheme is still be provided.</li> <li>• Any enquiries should be directed to the relevant local authority.</li> </ul>
<p><b>Support for businesses that pay little or no business rates</b></p>	<ul style="list-style-type: none"> <li>• The government will provide additional funding for local authorities to support small businesses that already pay little or no business rates because of small business rate relief (SBBR), rural rate relief (RRR) and tapered relief.</li> <li>• This will provide a one off grant of £10,000 to eligible businesses to help meet their ongoing business costs.</li> </ul>	<ul style="list-style-type: none"> <li>• Funding for the scheme will be provided to local authorities by government in early April. Guidance for local authorities on the scheme is to follow.</li> <li>• A business will be eligible if: <ul style="list-style-type: none"> <li>- it is based in England</li> <li>- it is a small business and already receives SBBR and/or RRR</li> <li>- it is a business that occupies property.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• If a business is eligible for SBRR or rural rate relief, it will be contacted by its local authority - no application is required.</li> <li>• The best person to contact would be one of the Economic Development Officers at the local town or city council.</li> </ul>
<p><b>HMRC's Time to Pay Service</b></p>	<ul style="list-style-type: none"> <li>• All businesses and self-employed people in financial distress, and with outstanding tax liabilities, may be eligible to receive support</li> </ul>	<ul style="list-style-type: none"> <li>• These arrangements are agreed on a case-by-case basis and are tailored to individual</li> </ul>	<ul style="list-style-type: none"> <li>• Contact HMRC's dedicated helpline - 0800 0159 559.</li> </ul>

with their tax affairs through HMRC's Time To Pay service.

- TTP allows a business to defer tax debts by converting settlement to instalments over a 3-12 month period.

circumstances and liabilities.

- HMRC have made it clear that they see themselves as a lender of last resort. You must demonstrate all other source of finance have been pursued and exhausted.

- HMRC are to provide further detailed guidance on the level of information they require and whether TTP will be extended to prospective and not just current tax liabilities.

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### Sick pay relief

- This refund will cover up to 2 weeks' SSP per eligible employee who has been off work because of COVID-19.
- Employers will be able to reclaim expenditure for any employee who has claimed SSP (according to the new eligibility criteria) as a result of COVID-19.

- Employers with fewer than 250 employees will be eligible - the size of an employer will be determined by the number of people they employed as of 28 February 2020.
- The eligible period for the scheme will commence the day after the regulations on the extension of Statutory Sick Pay to those staying at home comes into force.

- The government is developing a rebate scheme and further details are to follow.
  - Employers should maintain records of staff absences and payments of SSP, but employees will not need to provide a GP fit note. If evidence is required by an employer, those with symptoms of coronavirus can get an isolation note from NHS 111 online and those who live with someone that has symptoms can get a note from the NHS website.
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