

COVID-19 – Tax and Financial Reliefs

25 March 2020

The disruption to business as a result of measures put in place to limit the spread of COVID-19 is unprecedented. The UK Government has announced a number of measures designed to cushion the financial impact to businesses, and although no details have been announced, what we know about these measures is summarised in this update.

STATUTORY SICK PAY (SSP) RELIEF FOR SMES

The government will refund eligible COVID-19 related SSP costs to small and medium-sized businesses. This covers employees who are required to isolate/quarantine but are unable to work from home. Employers must keep records of those who are sick, or isolating, but employees do not have to provide a sick note. Isolation notes are being issued by NHS 111 online and these will suffice.

Eligible companies are those who have 250 or fewer employees as at 28 February 2020. Once necessary legislation has passed, these measures can be applied retrospectively from 13 March 2020 and will cover up to two weeks of SSP per employee.

CORONAVIRUS JOB RETENTION SCHEME

Where employees are furloughed instead of being made redundant, HMRC will refund the employer 80% of the workers wage costs, up to a cap of £2,500 per employee per month. The government is creating a new online portal for employers to notify HMRC of furloughed employees and HMRC are working urgently to set up a system for reimbursement.

Employers can choose to fund the difference in monthly pay to their employees but are not required to do so.

The scheme is intended to be applied retrospectively from 1 March 2020 to run for a minimum of three months.

Currently there is no guidance on whether employees paid the National Minimum Wage will still receive only 80%, or, if the National Minimum Wage increase due 1 April 2020 will still apply.

RELIEFS ON BUSINESS RATES

SMALL BUSINESS GRANT SCHEME FUNDING - BUSINESSES PAYING LITTLE OR NO BUSINESS RATES

To support businesses that pay little or no business rates due to Small Business Rate Relief (SBRR) or Rural Rate Relief (RRR), the government will provide funding for local authorities in England. This measure will provide a one-off grant of £10,000 to around 700,000 businesses currently eligible for SBRR or RRR, to help meet their ongoing business costs.

SUPPORT SPECIFICALLY FOR RETAIL, HOSPITALITY AND LEISURE BUSINESSES

BUSINESS RATES HOLIDAY

To support small businesses affected by COVID-19, the government is raising the Business Rates Retail Discount to 100% for the 2020 to 2021 tax year. This business rates holiday will apply to all businesses in England in the retail, hospitality and leisure sectors, irrespective of their rateable values.

Businesses that received the retail discount in the 2019 to 2020 tax year will be rebilled by their local authority as soon as possible.

CASH GRANTS FOR SMALL BUSINESSES

Through the Retail and Hospitality Grant Scheme, businesses in England in the retail, hospitality and leisure sectors will also be provided an additional cash grant of up to £25,000 per property.

Businesses in these sectors with property that has:

- a rateable value of £15,000 and under, will receive a grant of £10,000; or
- a rateable value of between £15,001 and £51,000, will receive a grant of £25,000.

Occupied properties used by businesses in the retail, hospitality and leisure sectors will benefit from these reliefs if they meet the above eligibility criteria and if they are wholly or predominantly being used:

- as shops, restaurants, cafes, drinking establishments, cinemas or live music venues;
- for assembly or leisure; or
- as hotels, guest and boarding premises or self-catering accommodation.

VAT DEFERRAL FOR BUSINESSES

All VAT-registered UK businesses are eligible. The scheme is automatic with no applications required.

Where overseas businesses are registered for UK VAT, they must still pay their VAT liability by the regular deadline of 1 month and 7 days following the reporting quarter or month. However, some non-resident businesses have been told directly by HMRC that they are entitled to relief and additional updates will be issued following further guidance from HMRC.

Under this scheme, VAT payments falling due between 20 March 2020 and 30 June 2020 will be deferred. UK registered businesses will not need to make VAT payments normally due with VAT returns during this period. This will generally mean a deferral of one quarter's VAT for the payments due on 7 April, 7 May or 7 June, or 3 months deferral where a business files monthly VAT returns. Businesses filing VAT returns under the annual scheme where payments would ordinarily fall due within this period will also qualify for the deferral.

VAT refunds and reclaims will be paid by the government as normal.

Note that VAT returns should continue to be submitted as normal by the due date.

Businesses will have until the end of the 2020-21 financial year to pay the liabilities that have accumulated during the deferral period. Assuming this is based on the UK tax year, then the payments will fall due by 5 April 2021. The actual date will be confirmed following the issue of further guidance.

There has been no official statement as yet to confirm whether interest will be charged in respect of any deferred payments. The current rate of interest applied to late paid VAT is 3%.

Where a client pays by direct debit, businesses will need to cancel the mandate through the government gateway account and remember to set it up again in due course. The mandate must be cancelled in sufficient time so that HMRC do not attempt to automatically collect, following submission of the VAT return. HMRC do not have the power to stop a mandate, nor can agents set up direct debit mandates on behalf of taxpayers.

PAYMENT ON ACCOUNT DEFERRAL

Payments on account of income tax that would normally fall due in July 2020 may be deferred to January 2021. This will be automatic, no payments or applications are required at this time. At the point of filing 2019/20 returns, no interest or penalties will be charged for payments that have been made after the normal July deadline.

The government has confirmed that all people are eligible for this, and not just those that are self-employed.

LENDING SUPPORT

CORONAVIRUS BUSINESS INTERRUPTION LOAN SCHEME OFFERING LOANS OF UP TO £5 MILLION FOR SMES THROUGH THE BRITISH BUSINESS BANK

This scheme will support SMEs, providing them with access to loans, overdrafts, invoice finance and asset finance up to £5m for up to six years. The government will also cover the first 12 months of interest.

Broadly businesses are eligible if they are UK based and have a turnover of less than £45m.

The government will provide lenders with a guarantee of 80% on each loan made under the Business Interruption Loan Scheme, subject to certain pre-lender caps. There are currently 40 accredited lenders under the scheme. Businesses need to contact their bank to establish eligibility.

TERM FUND SCHEME (TFSME)

A new four-year TFSME is to run for a year and is designed to encourage banks and building societies to offer lending close to the new level of the bank rate and with additional incentives to lend to Small and Medium-Sized Enterprises (SMEs).

COVID-19 CORPORATE FINANCE FACILITY

A new lending facility, the COVID-19 corporate finance facility will help bridge disruption to cash flow and support liquidity among larger firms, helping them bridge coronavirus disruption to their cash flows.

Under this facility the Bank of England will buy short term debt from larger companies, and support corporate finance markets to ease supply of credit to all firms.

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Dixon Wilson
22 Chancery Lane
London
WC2A 1LS

T: +44 (0)20 7680 8100
F: +44 (0)20 7680 8101
DX: 51 LDE

www.dixonwilson.com
dw@dixonwilson.co.uk