



We hope this communication finds everybody well

## **COVID-19 BUSINESS SUPPORT: CHANCELLOR'S WINTER ECONOMY STATEMENT**

On Thursday 24 September 2020, the chancellor gave a winter economy statement to the House of Commons, detailing the revised economic support schemes that will be in operation over the next six months. These can be detailed as follows:

1. The New **Job Support Scheme [JSS]** will commence from 1 November 2020, to replace the Job Retention Scheme for furloughed workers.
2. An Extension to the **Self Employment Income Support Scheme [SEISS]** at a reduced rate
3. Extension of the **Business Support Loan Schemes** – Including Bounce Back Loans [BBLs] and Coronavirus Business Interruption Loans [CBILs]
4. The introduction of **Payment Plans for Deferred Tax Bills**, both for VAT and self-assessment personal income tax deferrals
5. An Extension of the **5% VAT Rate for the Hospitality and Tourism industries** to 31 March 2021

### **1. JOB SUPPORT SCHEME [JSS]**

This is a new scheme that commences from 1 November 2020 to 30 April 2021, and will replace the Job Retention Scheme [JRS] for furloughed workers.

#### **Key Points**

- The government will contribute towards the wages of employees who are working fewer than normal hours due to decreased demand.
- 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, with the government grant capped at £697.92.
- Employees must work **at least 33% of their normal hours** in order to qualify
- The Job Support Scheme will be open to all Small and Medium sized businesses across the UK, even if they have not previously used the furlough scheme
- Joining this scheme does not impact on the eligibility for the Job Retention Bonus for workers that have come off furlough and returned to employment

**NOTE:** Full details will follow in due course, as the amount of government support will vary depending on the percentage of hours worked

**Approximate Example:** A worker currently receives a salary of £2,000 a month. When they return off furlough, the employee works 50% of their usual hours. They would be entitled to receive £1,000 normal pay plus £333 extra from their employer, and £333 from the government. Their take home pay would therefore be £1,666, while the cost to the business would be £1,333.

## **2. SELF EMPLOYMENT INCOME SUPPORT SCHEME [SEISS]**

The Self Employment Income Support Scheme has been extended for a third time, for those who met the qualification criteria and received payments in May and/or in August. A further taxable grant will be provided to those who are continuing to actively trade but are now facing reduced demand. The initial lump sum will cover three months' worth of average profits for the period from 1 November to the end of 31 January next year. This is **worth 20% of average monthly profits** [previously 80% and 70%], up to a total capped amount of £1,875. The application date will be announced in due course.

An additional final grant – the fourth in total, which may be adjusted to respond to changing circumstances - will be available for self-employed individuals to cover the period from February to 30 April 2021, but the government will announce the full terms and conditions in relation to this payment closer to the time.

## **3. EXTENSION OF BUSINESS SUPPORT LOAN SCHEMES**

Both the Coronavirus Business Interruption Loan scheme [CBILs] for amounts between £50,000 and £5m, 80% guaranteed by the government; and the Bounce Back Loan scheme [BBLs] for amounts up to £50,000, 100% guaranteed by the government; have had their application period extended to 30 November 2020 from 30 September 2020 and 4 November 2020, respectively. This means that there is not such a rush to make an application, but we still recommend investigating taking one of these loans as a safety net – even if unused - to allow businesses to continue trading through the winter.

The repayment terms on the Bounce Back Loan scheme have been extended from six years to a new maximum of ten years, to allow businesses to spread repayments; there are also the option to include periods of interest only repayment for six months if financial hardships are suffered, and further short periods of payment holidays available too.

The repayment terms on the Coronavirus Business Interruption Loans have also been extended from six years to a new maximum of ten years, but no interest only or payment holiday periods are available with this support scheme at the current time, per our understanding of the chancellor's statement.

## **4. PAYMENT PLANS FOR DEFERRED VAT AND INCOME TAX BILLS**

Businesses who deferred their VAT bills between March, April and May 2020 will now be able to apply for the New Payment Scheme, which gives them the option to pay back the deferred VAT in smaller instalments across 11 months, rather than paying a lump sum in full at the end March 2021. Under the scheme, businesses will be able to make up to 11 smaller interest-free monthly payments during the 2021-22 financial year, reducing the impact on cash flow and spreading the cost further. Full details of how to apply for the New Payment Scheme will be announced shortly.

Further to the above, Self-Assessment Income Taxpayers will also be able to benefit from a separate additional 12-month extension from HMRC on the "Time to Pay" self-service facility, meaning payments deferred from July 2020 and those due in January 2021 can also be spread across a greater

time period and will now not need to be paid off in full until January 2022. Specific details of this programme are also to be announced in the coming weeks.

#### **5. 5% VAT RATE EXTENSION FOR THE HOSPITALITY AND TOURISM INDUSTRIES**

Finally, the reduced 5% rate of VAT applicable to the hospitality and tourism industries, previously due to expire on 12 January 2021, has now been extended to 31 March 2021.

Please do not hesitate to contact us if you have any questions regarding any of the points mentioned above. As ever, the Covid-19 Business Support Co-ordinator, Russell Nash [[russell@butler-co.co.uk](mailto:russell@butler-co.co.uk)] remains available, alongside your regular primary contact(s), across the working week to answer anything arising.

Best regards

**Julie M Butler FCA**  
**Joint Managing Partner**