

COVID-19 Business update 26 March 2020

At QCS, we recognise this is a challenging time for us all, particularly within the Health and Social care sectors.

For many, managing a business and juggling finances at this time will cause concern. Whilst there are still unanswered questions, we have detailed some key facts for businesses and what we already know so far.

In this update:

- ✓ UK Government support
- ✓ Tax
- ✓ VAT
- ✓ Commercial insurance
- ✓ Coronavirus Job Retention Scheme
- ✓ SSP
- ✓ IR35

UK Government support

Significant government backed measures have been introduced to provide funding and other support to businesses split broadly in two categories:

- Funding based initiatives which aim to bolster cashflow and liquidity position in the short to medium term; and
- Tax or grant based initiatives which aim to alleviate cost pressure and preserve cash

Support for businesses through the Coronavirus Business Interruption Loan Scheme (CBILS)

The temporary Coronavirus Business Interruption Loan Scheme supports SMEs with access to loans, overdrafts, invoice finance and asset finance of up to £5 million and for up to 6 years.

The government will also make a Business Interruption Payment to cover the first 12 months of interest payments and any lender-levied fees, so smaller businesses will benefit from no upfront costs and lower initial repayments.

The government will provide lenders with a guarantee of 80% on each loan (subject to pre-lender cap on claims) to give lenders further confidence in continuing to provide finance to SMEs. The scheme will be delivered through commercial lenders, backed by the government-owned British Business Bank.

You are eligible for the scheme if:

- your business is UK based, with turnover of no more than £45 million per year
- your business meets the other [British Business Bank eligibility criteria](#)

The full rules of the scheme and the list of accredited lenders are available on the [British Business Bank website](#). If you have an existing loan with monthly repayments, you may want to ask for a repayment holiday to help with cash flow.

Covid Corporate Financing Facility (CCFF)

This temporarily replaces the Enterprise Finance Guarantee (“EFG”) scheme which is already operational. The aim is to support SMEs, who may have limited or insufficient security, to raise additional financing.

Key characteristics

- Financing type: term loans, asset finance, working capital facilities (RCF, invoice discounting, supply chain financing, overdrafts)
- Facility amounts: £1,000 to £5m.
- Finance tenor: from 3 months to up to ten years for term loans and asset finance
- Pricing: Interest free for first 12 months (covered by government)
- Other: Government provides a guarantee to the lender for 80% of facility value (but companies remain liable for capital repayment)

Full eligibility criteria is yet to be published but initial guidance on borrower criteria include:

- Turnover of no more than £45m per annum
- Operate within an eligible industrial sector (see link for details on sectors which are ineligible or subject to restrictions).
- 'Sound borrowing proposal' but lacking sufficient security to meet lender requirements.
- Not received de minimis state aid beyond €200,000 equivalent over the current and previous two fiscal years

Process for applying

- Up and running from 23 March 2020.
- Borrowers can approach one of 40 accredited lenders with a lending proposal. The accredited lenders are a mix of high street banks and smaller specialist lenders (e.g. invoice discounting, asset-based lending).
- Applies to a number of lending products.
- If the lender can provide finance on normal commercial terms, they will do so.
- If not, the lender will decide whether the business can be supported by CBILS and seek to use the scheme to alter a negative credit decision
- Will operate in a similar way to EFG with a guarantee and 12 months of interest payments provided to the lender by the British Business Bank.
- The borrower will remain liable for the borrowing at all times

Tax

Income Tax payments due in July 2020 under the Self-Assessment system may be deferred until January 2021. This is an automatic offer with no applications required. No penalties or interest for late payment will be charged if you defer payment until January 2021.

HMRC have also scaled up their [Time to Pay offer](#) to all firms and individuals who are in temporary financial distress as a result of COVID-19 and have outstanding tax liabilities.

VAT

For VAT, the deferral will apply from 20 March 2020 until 30 June 2020.

This is an automatic offer with no applications required. Businesses will not need to make a VAT payment during this period. Taxpayers will be given until the end of the 2020 to 2021 tax year to pay any liabilities that have accumulated during the deferral period.

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

Customers who normally pay by direct debit should cancel their direct debit with their bank if they are unable to pay. Do so in enough time so that HMRC do not attempt to automatically collect on receipt of your VAT return.

Commercial insurance

Most commercial insurance policies are unlikely to cover pandemics or unspecified notifiable diseases, such as COVID-19.

However, those businesses which have an insurance policy that covers government ordered closure and pandemics or government ordered closure and unspecified notifiable disease should be able to make a claim (subject to the terms and conditions of their policy).

Insurance policies differ significantly, so businesses are encouraged to check the terms and conditions of their specific policy and contact their providers.

Coronavirus Job Retention Scheme – Furloughing

Under the Coronavirus Job Retention Scheme, all UK employers with a [PAYE](#) scheme will be able to access support to continue paying part of their employees' salary for those that would otherwise have been laid off during this crisis.

This applies to employees who have been asked to stop working, but who are being kept on the pay roll, otherwise described as 'furloughed workers'. HMRC will reimburse 80% of their wages, up to £2,500 per month. This is to safeguard workers from being made redundant and employers may choose to top up the 80% to full pay.

The Coronavirus Job Retention Scheme will cover the cost of wages backdated to 1 March and is initially open for 3 months but will be extended if necessary.

You will need to:

- designate affected employees as 'furloughed workers' and notify your employees of this change using our template letter in the furloughing policy. Changing the status of employees remains subject to existing employment law and, depending on the employment contract, may be subject to negotiation
- 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)

HMRC are working urgently to set up a system for reimbursement. Existing systems are not set up to facilitate payments to employers.

SSP

New legislation now allows small-and medium-sized businesses and employers to reclaim Statutory Sick Pay (SSP) paid for sickness absence due to COVID-19. The eligibility criteria for the scheme will be as follows:

- this refund will cover up to 2 weeks' SSP per eligible employee who has been off work because 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
- 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 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](#)
- eligible period for the scheme will commence the day after the regulations on the extension of SSP to those staying at home comes into force
- the government will work with employers over the coming months to set up the repayment mechanism for employers as soon as possible

You are eligible for the scheme if:

- your business is UK based
- your business is a small or medium-sized and employs fewer than 250 employees as of 28 February 2020

IR35

IR35 will be delayed until April 2021 to help businesses and contractors.