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# COVID-19: Updated UK Government Response

## COVID-19: Support for Businesses

On 18 March 2020, the UK Government (**the Government**) set out a package of temporary, timely, and targeted measures to support public services, people, and businesses through this period of disruption caused by COVID-19. Since the initial announcement, these broadly described measures have continued to evolve and be refined as they are put into place.

Set out below is a summary of some key measures included in the package to support UK businesses, current as at the date of this Memorandum:

### Employment-related measures

- a Coronavirus Job Retention Scheme;
- a Self-employment Income Support Scheme; and
- a statutory sick-pay relief package for small- and medium-sized businesses.

### Tax-related matters

- deferring VAT and Income Tax Payments;
- a 12-month business rates holiday for all retail, hospitality, and leisure businesses in England; and
- the HMRC Time-To-Pay Scheme.

### Loan/Grant-related measures

- the Coronavirus Business Interruption Loan Scheme offering loans of up to £5 million for small- and medium-sized businesses through the British Business Bank;
- the Coronavirus Large Business Interruption Loan Scheme offering loans of up to £250 million for larger businesses operated by the Bank of England;
- a new fast-track Bounce Back Loan scheme to ensure small firms that need vital cash injections can keep operating;
- a new COVID-19 Corporate Financing Facility from the Bank of England to help support liquidity among larger firms, helping them bridge coronavirus disruption to their cash flows through loans;
- the coronavirus Future Fund offering convertible loans to innovative businesses;
- grant funding of £25,000 for retail, hospitality, and leisure businesses with property that has a rateable value between £15,000 and £51,000;
- small business grant funding of £10,000 for all business in receipt of small business rate relief or rural rate relief;
- measures to protect commercial tenants from being evicted; and
- reforms to the insolvency laws.

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## Reporting/Accounting-related measures

- an extension to the deadline for filing accounts at Companies House;
- the introduction of virtual AGMs;
- extensions to the reporting timetables for listed companies; and
- financial reporting guidance.

More information on the different types of support available to UK business can be found on the [gov.uk website](https://www.gov.uk).

## 1. Employment-related measures

### 1.1 Support for businesses through the Coronavirus Job Retention Scheme:

Under the Coronavirus Job Retention Scheme (**CJRS**), all UK employers will be able to access support to continue paying part of their employees' salaries for those employees who would otherwise have been laid off during the crisis.

All UK businesses are eligible to access the CJRS. To do so employers will need to:

- designate affected employees as "furloughed workers," and notify employees of this change; and
- submit information to HMRC about the employees who have been furloughed and their earnings through a new online portal.

HMRC will reimburse 80% of furloughed workers' wage costs, up to a maximum of £2,500 per employee per month, plus the associated employer national insurance contributions and the minimum automatic enrolment employer pension contributions. More information on the eligibility for the CJRS can be found [here](#).

Claims for wages through the CJRS can now be submitted to HMRC through Government Gateway. More information on how to submit your claim is available [here](#).

### 1.2 Support for the self-employed through the Self-employment Income Support Scheme


Under the Self-employment Income Support Scheme (**SISS**), self-employed individuals or members of partnerships will be allowed to claim a taxable grant worth 80% of their trading profits up to a maximum of £2,500 per month for the next three months.

In order to apply, the individual must be self-employed or a member of a partnership and:

- have submitted their Income Tax Self-Assessment tax return for the tax year 2018–19;
- traded in the tax year 2019–20;
- be trading when they apply, or would have been but for COVID-19;
- intend to continue to trade in the tax year 2020–21; and
- have lost trading/partnership trading profits due to COVID-19.

The self-employed trading profits must also be less than £50,000 and more than half of the individual's income must come from self-employment. This is determined by at least one of the following conditions being true:

- having trading profits/partnership-trading profits in 2018–19 of less than £50,000 and the profits for that period constituted more than half of the individual's total taxable income; or
- having average trading profits/partnership-trading profits in 2016–17, 2017–18 and 2018–19 of less than £50,000 and the profits constitute more than half of the individual's total taxable income.



Eligible individuals will receive a grant of 80% of the average profits from the applicable tax years up to a maximum of £2,500 per month for three months. If eligible, HMRC will pay the grant directly into the individual's bank account in one instalment.

Eligible individuals cannot apply for the SISS yet and should wait for HMRC to contact them to invite them to apply online. More information on the SISS is available [here](#).

### **1.3 Support for businesses that are paying Statutory Sick Pay to employees:**

The Government has brought forward legislation to allow small- and medium-sized businesses and employers to reclaim Statutory Sick Pay (**SSP**) paid for sickness absence due to COVID-19. From 13 March 2020, employers are eligible to claim a refund to cover up to two weeks' of SSP per eligible employee who has been off work because of COVID-19.

The SSP cover has also been broadened to include employees staying home on government advice to self-isolate or shield in line with public health guidance, not just those infected by COVID-19, and allows employees to claim SSP from the first day of absence rather than the fourth.

In order to claim the refund, employers must have fewer than 250 people employed as of 28 February 2020 and have a UK-based business. Employers should also maintain detailed records of staff absences and payments of SSP, but employees will not need to provide a GP fit note.

The Government will work with employers over the coming months to set up the repayment mechanism for employers as soon as possible. More information on the SSP relief is available [here](#).

## **2. Tax-related measures**

### **2.1 Support for businesses through deferring VAT and Income Tax payments:**

The Government has announced it will support businesses by deferring Value Added Tax (**VAT**) payments for three months and will support the self-employed by deferring Income Tax payments until January 2021.

All UK businesses are eligible to benefit from the VAT deferral which is applied automatically and will apply from 20 March 2020 until 30 June 2020. Businesses will then have until the end of the 2020 tax year to settle any liabilities that have accumulated during the deferral period. VAT refunds and reclaims will be paid by the Government as normal.

All UK taxpayers are eligible to benefit from the Income Tax payment deferral which delays payments that would have been due on 31 July 2020 until 31 January 2021. This is an automatic offer with no applications required. No penalties or interest for late payment will be charged in the deferral period.

### **2.2 Support for businesses paying tax:**

All businesses and self-employed people in financial distress, and with outstanding tax liabilities, may be eligible to receive support with their tax affairs through HMRC's Time-To-Pay service. These arrangements are agreed on a case-by-case basis and are tailored to individual circumstances and liabilities.

### **2.3 Business rates holiday for retail, hospitality, and leisure businesses:**

The Government will introduce a business rates holiday for retail, holiday, and leisure businesses in England for the 2020 to 2021 tax year. In order to be eligible for the rates holiday, businesses must be:

- based in England; and
- operate in the retail, hospitality, and/or leisure sectors.



Properties that will benefit from the relief will be occupied properties that are wholly or mainly being used:

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

No action is required in order to access the scheme as it will be applied to the next council tax bill in April 2020. Further information on the business rates holiday can be found [here](#).

## 2.4 Postponement of off-payroll working rules:

The Government also announced the postponement of rules that were intended to take effect from April under which medium and large companies in the private sector that contract with personal service companies for the provision of workers' services will, in certain circumstances, have to account for income tax and national insurance through Pay As You Earn (**PAYE**), (the so-called "IR35" rules). One of the concerns with these proposed rules is their potential to increase the compliance burden for those affected businesses. The decision to defer this change to April 2021 is designed to ease this burden at this critical juncture.

## 3. Financing

### 3.1 Support for small- and medium-sized businesses through the Coronavirus Business Interruption Loan Scheme:


A new temporary Coronavirus Business Interruption Loan Scheme (**CBILS**), delivered by the British Business Bank, has been launched to support primarily small and medium-sized businesses to access bank lending and overdrafts. The scheme will initially run for six months, from 3 April 2020.

The Government will provide lenders with a guarantee of 80% on each loan (subject to a per-lender cap on claims) to give lenders further confidence in continuing to provide finance to small- and medium-sized businesses. The Government will not charge businesses or banks for this guarantee, and the CBILS will support loans of up to £5 million in value. Additionally, businesses can access the first 12 months of the finance interest free, as the Government will cover the first 12 months of interest payments. The finance terms are from three months up to six years for term loans and asset finance and up to three years for revolving facilities and invoice finance.

To be eligible for the support offered by the CBILS, a business must:

- be UK-based in its business activity with a turnover of no more than £45 million per annum;
- operate within an eligible industrial sector;
- self-certify that it has been adversely impacted by the coronavirus; and
- have a borrowing proposal which the lender would consider viable, were it not for the current pandemic.

In addition, in considering the lending application, the lender may require detailed information about the business, including as to the profile of the owner and/or management team, the owner's investment in the business, and whether or not security is available. Other supporting information and documents may include the management accounts, cash-flow forecast, business plan, historic accounts, and details of assets.



Under the scheme, lenders will not take personal guarantees of any form for facilities below £250,000. For facilities above £250,000, personal guarantees may be required, at a lender's discretion, but:

- a borrower's/guarantor's Principal Private Residence (**PPR**) cannot be taken as security to support a personal guarantee or as security for a CBILS-backed facility, and
- recoveries under these are capped at a maximum of 20% of the outstanding balance of the CBILS facility after the proceeds of business assets have been applied.

For all facilities, including those over £250,000, CBILS can now support lending to smaller businesses, even where a lender considers there to be sufficient security, making smaller businesses eligible to receive the business-interruption payment. Where there is sufficient security available, it is likely that the lender will take such security in support of a CBILS facility.

Businesses from any sector can apply, except the following: banks, insurers and reinsurers (but not insurance brokers), public-sector bodies, further-education establishments (if they are grant-funded), and state-funded primary and secondary schools.

More details on the CBILS, including how to apply, are available [here](#) and on the [British Business Bank website](#).

### 3.2 Support for small- to medium-sized businesses through the Bounce Back Loan Scheme

On 27 April 2020, the UK Chancellor announced a new fast-track finance scheme for small firms which will provide loans with a 100% Government-backed guarantee for lenders. The new Bounce Back Loans scheme (**BBL**) will allow businesses to borrow between £2,000 and £50,000 and access that cash within days through a short and simple online application form.

Loan terms will be up to six years and, in addition to the 100% guarantee, the Government will pay any fees and interest for the first 12 months, meaning that no borrower repayments will be due in the first year of the loan. The Government will then work with lenders to agree to a low rate of interest for the remaining period of the loan.

To apply for the BBL, businesses must:

- be UK-based;
- have been negatively affected by coronavirus; and
- not have been an 'undertaking in difficulty' on 31 December 2019.

Businesses that have already claimed under the CBILS are not eligible for the BBL; however, if a business has received a loan of up to £50,000 under the CBILS and would like to transfer it to the BBL scheme, they can arrange this directly with their lender until 4 November 2020.

The BBL will launch on 4 May 2020 and further information about the scheme is expected shortly.

### 3.3 Support for larger businesses through the Coronavirus Large Business Interruption Loan Scheme

On 3 April 2020, the UK Chancellor announced the Government would be taking further action to support larger businesses affected by the coronavirus by introducing the new Coronavirus Large Business Interruption Loan Scheme (**CLBILS**) allowing lenders to specifically support larger businesses that were viable before the COVID-19 outbreak, but now face significant cash-flow difficulties that would make their business unviable in the short term.

Under the new CLBILS, the Government will provide a guarantee of 80% to enable banks to make loans of:

- up to £25 million to firms with a turnover of over £45 million per annum; and
- up to £50 million to firms with a turnover of more than £250 million per annum.

To be eligible for the support offered by the CLBILS, a business must:

- be UK-based in its business activity, with a turnover of more than £45 million per annum;
- be unable to secure regular commercial financing;
- have a borrowing proposal which the lender would consider viable, were it not for the COVID-19 pandemic; and
- believe the support will enable the business to trade out of any short-term to medium-term difficulty.

Businesses from any sector may apply, except for banks and building societies, insurers and reinsurers (but not insurance brokers), and public-sector organisations. The Government also has clarified that firms owned by private equity will also be able to access the CLBILS.

The new CLBILS launched on 21 April and will support a wide range of businesses to access finance products, including short-term loans, overdrafts, invoice finance, and asset finance. More details on the CLBILS, including how to apply, are available [here](#) and on the [British Business Bank website](#).


### 3.4 Support for larger firms through the COVID-19 Corporate Financing Facility:

To support larger firms, the Bank of England has announced a new lending facility known as the COVID-19 Corporate Financing Facility (**CCFF**) to provide a quick and cost-effective way to raise working capital via the purchase of short-term debt. The CCFF will support 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 will also support corporate finance markets overall and ease the supply of credit to all firms.

The COVID-19 Corporate Financing Facility Limited (**The Fund**) will purchase commercial paper during a defined period each business day. The Fund, operated by the Bank of England on behalf of HM Treasury, will purchase, at a minimum spread over reference rates, newly issued commercial paper in the primary market via dealers and after issues from eligible counterparties in the secondary market. Purchases made under the CCFF will be financed by central bank reserves.

It is the Bank of England's intention for the CCFF to operate for an initial 12-month period to help businesses bridge through COVID-19-related disruptions to their cash flows; however, the exact length of the CCFF has yet to be set and the Bank of England will provide six months' notice of the withdrawal of the CCFF.

Firms that make a material contribution to economic activity in the UK will generally be eligible to participate in the CCFF. Therefore, UK-incorporated companies, including those with foreign-incorporated parents with a genuine business in the UK, will normally be regarded as meeting this requirement. Moreover, companies with significant employment in the UK or with their HQ in the UK will also normally be regarded as meeting this requirement. Other considerations include whether the company generates significant revenue in the UK, serves a large number of customers in the UK, or has a number of UK operating sites.



Commercial paper issued by non-bank financial companies will, in principle, be eligible, subject to the Bank of England being satisfied that the issuer makes a material contribution to corporate financing in the UK, however, commercial paper issued by leveraged investment vehicles or from companies within groups that are predominantly banks, investment banks, or building societies will not be eligible.

Companies that do not currently issue commercial paper but are capable of doing so will, in principle, be eligible to utilise the CCFF provided they meet the eligible securities criteria. The Fund will purchase sterling-denominated commercial paper of eligible issuers, with the following characteristics:

- the minimum size of an individual security that the Fund will purchase from an individual participant is £1 million nominal (offer amounts should be expressed in increments of £0.1 million nominal);
- a maturity of one week to 12 months if issued to the Bank of England at issue via a dealer;
- where available, a minimum short-term credit rating of A-3 / P-3 / F-3 / R3 or above, or a long-term rating of BBB-/Baa3/BBB-/BBB low or above, from at least one of Standard & Poor's, Moody's, Fitch, or DBRS Morningstar as at 1 March 2020 (firms with split ratings where one or more rating is below the minimum are not eligible);
- firms that do not have an existing credit rating from the major credit ratings agencies are encouraged to speak to their bank in the first instance and, if their bank advises that the firm was viewed internally as equivalent to investment grade as at 1 March 2020, then the firm can contact the Bank of England on [CCFFeligibleissuers@bankofengland.co.uk](mailto:CCFFeligibleissuers@bankofengland.co.uk) to discuss its potential eligibility (another potential route to evidencing credit status is to seek an assessment of credit quality from one of the above credit-rating agencies, in a form that can be shared with the Bank of England and HM Treasury (noting that this is for the purposes of accessing the CCFF)); and
- issued directly into Euroclear and/or Clearstream.

For primary market purchases, the Fund will purchase securities at a spread above a reference rate, based on the current sterling overnight index swap rate. Spreads will be set such that pricing is close to the market spreads prevailing before the economic shock from COVID-19. The Bank of England will keep its pricing under review in light of market conditions and its experience in operating the facility.

For secondary market purchases the Bank will purchase commercial paper at the lower of amortised cost from the issue price and the price as given by the method used for primary market purchases as set out above. The Bank of England will apply an additional small fee (currently set at 5bps and subject to review) for use of the secondary facility, payable separately.

Applications to participate in the CCFF can be made via the application form published on the Bank of England website. Further details on the CCFF, including application forms for those seeking to participate are available [here](#).

### **3.5 Support for innovative companies through the coronavirus Future Fund:**

The Government has announced the new Future Fund which will issue convertible loans to innovative companies that are facing financing difficulties due to the coronavirus outbreak. The Future Fund will provide Government loans ranging from £125,000 to £5 million, subject to at least equal match funding from private investors.

Businesses will be eligible if they:

- are UK-based;
- can attract the equivalent match funding from third-party investors and institutions; and
- have previously raised at least £250,000 in equity investment from third-party investors in the last five years.

The Future Fund will launch in May 2020 and further details about the scheme will be published shortly. The headline terms are available [here](#), however, it should be noted that these are only the expected terms and do not represent a binding commitment in any nature from the Government at this stage.

### 3.6 Support for businesses through the Retail and Hospitality Grant Scheme:

The Retail and Hospitality Grant Scheme (**RHGS**) will provide businesses in the retail, hospitality, and leisure sectors with a cash grant of up to £25,000 per property. In order to be eligible for the RHGS businesses must be:

- based in England; and
- operate in the retail, hospitality, and/or leisure sectors.

Properties that will benefit from the relief will be occupied properties that are wholly or mainly being used:

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

Eligible businesses with a rateable value of under £15,000 will receive a grant of £10,000 and those with a rateable value between £15,001 and £51,000 will receive a grant of £25,000.

No action is required in order to access the grant as local authorities will write to all eligible businesses directly. Further guidance and details on how local authorities will administer the grants are available [here](#).

### 3.7 Support for businesses that pay little or no business rates:

The Government will provide additional funding for local authorities to support small businesses that already pay little or no business rates in the UK because of small business rate relief. This will provide a one-off grant of £10,000 to businesses currently eligible for small business rate relief or rural rate relief to help meet their ongoing business costs. Funding for the scheme was to be provided to local authorities by Government in early April.

### 3.8 Protection from eviction for commercial tenants

The Government has introduced measures to protect commercial tenants in the UK who cannot pay their rent from eviction. The new measures will mean no business will automatically forfeit their lease and be forced out of their UK premises if they miss a payment up until 30 June 2020 (there is an option for the Government to extend this period if necessary). It should be noted that this is not a rental holiday and all commercial tenants will still be liable for the rent.


### 3.9 Insolvency law reforms to protect businesses

The Government has announced changes to insolvency laws in response to the COVID-19 crisis that will be introduced at the 'earliest opportunity' and will be applied retrospectively from 1 March 2020.

The Government announced a three-month suspension of wrongful trading provisions for company directors to eliminate the threat of personal liability. The suspension has come in response to the growing concerns of directors over the risk of personal liability if they fail to take every step to minimise the potential losses to creditors once there is no reasonable prospect of avoiding an insolvent liquidation or administration. The threat of the current rules may encourage directors to file the company for insolvency proceedings earlier than necessary.

The Government also announced that legislation will be put into place to implement the new restructuring procedures which were announced in August 2018. The new legislation will enable companies undergoing a rescue or restructuring process to continue trading by introducing an interim moratorium of up to 90 days that will grant companies facing COVID-19-related liquidity issues the time to seek a rescue or to restructure and prevent creditors from enforcing debts during that period. The measure will include the ability to accept new borrowings during the moratorium to facilitate continued trading. The new interim moratorium measures have not come into effect yet.





Additionally, the Government plans to introduce a flexible new restructuring plan that includes the ability to bind classes of creditors who vote against it. This has also not come into effect yet.

## 4. Reporting/Accounting-related measures

### 4.1 Extension for businesses required to file accounts with Companies House

The Government and Companies House have launched a joint initiative to allow companies to apply for a three-month extension to the deadline by which their accounts have to be filed at Companies House in order to allow businesses to give priority to managing the effects of the current climate. Companies that apply for the extension and cite issues around COVID-19 will be automatically and immediately granted an extension to ensure they are not issued an automatic penalty from Companies House for not filing their accounts on time.

### 4.2 Virtual AGMs

The Government announced that it will introduce legislation to ensure those companies required by law to hold Annual General Meetings (**AGMs**) will be able to do so safely, consistent with the restrictions on movement and gatherings introduced to address the spread of coronavirus. Through new legislation, companies will temporarily be extended the flexibility to either hold virtual AGMs online or postpone the AGMs.

### 4.3 Reporting timetable extensions for listed companies

The Financial Conduct Authority (**FCA**) has published a statement permitting a delay in the publication of audited financial reports from four to six months from the end of the financial year. The FCA are strongly encouraging listed companies to review all elements of their timetables for publication of information in order to make appropriate use of the time available within regulatory deadlines to ensure their disclosures are accurately and carefully prepared. The FCA are also urging market participants to not draw undue adverse inferences when companies make use of the extra time the temporary relief gives them.

Further measures to allow companies and auditors to focus on the delivery of information to investors and markets include:

- postponement of auditors tenders – companies are being encouraged to delay planned tenders for new auditors, even when mandatory rotation is due;
- postponement of audit partner rotation – key audit partners are required to rotate every five years, however, in the current circumstances, the rotation can be extended to seven years with the agreement of the business' audit committee; and
- reduction of Financial Reporting Committee (**FRC**) demands – the FRC will, where possible, delay or extend the deadlines for consultation and will pause, for at least one month, requests to firms on supervisory initiatives.

## 4.4 Financial reporting guidance for companies

To maintain effective decision-making in the interests of the company, the FRC is encouraging boards of directors to:

- develop and implement mitigating actions and processes to ensure that they continue to operate an effective control environment: in particular, addressing any key reporting and other controls on which they have placed reliance historically, but which may not prove effective in the current environment;
- consider how they will secure reliable and relevant information, on a continuing basis, in order to manage their future operations and those of their workforce and suppliers, including the flow of financial information from significant subsidiary, joint venture, and associate group entities; and
- pay attention to capital maintenance, ensuring that sufficient reserves are available when the dividend is made, not just proposed.

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### **Definition of small-sized companies:** [s.382 of the Companies Act 2006](#)

A company qualifies as a small-sized business in relation to a financial year if the qualifying conditions are met in that year and the preceding financial year. The qualifying conditions are met by a company in a year in which it satisfies two or more of the following requirements:

- Turnover – not more than £10.2 million;
- Balance sheet total – not more than £5.1 million; and
- Number of employees – not more than 50.

### **Definition of medium-sized companies:** [s.465 of the Companies Act 2006](#)

A company qualifies as a medium-sized business in relation to a financial year if the qualifying conditions are met in that year and the preceding financial year. The qualifying conditions are met by a company in a year in which it satisfies two or more of the following requirements:

- Turnover – not more than £36 million;
- Balance Sheet Total – not more than £18 million; and
- Number of employees – not more than 250.

The above is an outline of some of the current package of measures relevant to UK companies, all of which are necessarily evolving and being refined almost daily. Therefore, please note that this memorandum is only accurate as of its stated date.

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