

Rishi Sunak announces Winter Economy Plan amid coronavirus (COVID-19)

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The Chancellor of the Exchequer, Rishi Sunak, has announced new government support intended to protect workers and businesses impacted by the coronavirus (COVID-19) pandemic as the furlough scheme comes to an end. The launch of a new Job Support Scheme was announced, alongside the extension of the Self Employment Income Support Scheme to cover the period from February 2021 to April 2021, the creation of a Pay as You Grow repayment system of the Bounce Back Loan, and the extension of the 15% VAT cut for the hospitality and tourism sectors until 31 March 2021. Martin Pratt, partner at Ince Gordon Dadds, and Miriam Bruce, partner at Mayer Brown International, share their views.

Job Support Scheme and the Self Employment Income Support Scheme

The Job Support Scheme aims to support viable jobs in businesses facing lower demand as a result of coronavirus. Running for six months from 1 November 2020, employees who are working at least a third of their normal working hours due to such a decrease in demand will be paid for the hours worked by their employer, but for the hours not worked, the employer and the government will each pay a third of the employee's wages. As such, at least 77% of the employee's normal wages will be paid. This will be capped at £697.92 per month.

The Job Support Scheme is available to all UK SMEs. However, larger companies will only be eligible if they can prove that their turnover has fallen as a result of coronavirus. Companies will be able to apply even if they had not previously used the furlough scheme. It can be claimed at the same time as the Jobs Retention Bonus.

Pratt comments: 'This Jobs Support Scheme is far more restrictive than the furlough scheme. It is deliberately designed to protect only jobs that will survive the winter and (hopefully) the easing of the pandemic. It accepts that many jobs will be lost but, significantly, those on this scheme cannot be made redundant. We can therefore expect a flood of redundancy claims between now and Christmas as firms shed roles that cannot be saved.'

The Self Employment Income Support Scheme has been extended. An initial grant, available to those who are currently eligible, are still trading but are facing decreased demand, will cover three months' worth of profits between November 2020 and January 2021, up to a total of £1,875. An additional second grant, which may be adjusted, will cover the period between February 2021 and April 2021.

Bruce notes: 'The scheme has parallels with similar concepts already up and running successfully in other countries, including Germany's "short time work" scheme (which provides workers whose hours have been reduced with a top-up from the German government) and France's "unemployment scheme" (in which the French Government has agreed to pay 93 percent of an employee's net salary regardless of whether they are working full time). Given there are currently over two million UK employees still on furlough and with the R number on the rise, this announcement is a timely one for UK SMEs.'

She also mentions that much 'remains unclear' regarding the scheme and that, 'as we saw with the furlough scheme, the devil is often in the detail and the resulting legislation can often differ in important respects to what appears to be the case from the government announcements. Whether it will be enough to stave off the wave of redundancies that has been predicted remains to be seen. It is clearly less generous for employers than the furlough scheme, as they will need to meet the lion's share of their employees' pay for reduced work and offers no assistance to employees for whom there is no significant work available. As such, a reduction in the scale of redundancies seems more likely than avoiding them entirely.'

Loans

Sunak has announced a new Pay as You Grow repayment system for firms who have taken out the Bounce Back Loan. The length of the loan has been extended to ten years, resulting in smaller monthly repayments. Up to six months' interest-only periods and payment holidays will also be made available.

The Coronavirus Business Interruption Loan Scheme has also been extended to last ten years and applications for this and other government coronavirus schemes will be extended so that more businesses are eligible.

Tax deferrals

The temporary 15% VAT cut granted to the hospitality and tourism sectors has been extended to 31 March 2020.

A New Payment Scheme has been announced, which allows businesses who deferred their VAT bills to spread the repayment over 11, interest-free, instalments over the financial year 2020–21, rather than having to repay the bill as a lump sum in March 2021.

In addition, a Time to Pay self-service facility has launched, giving self-assessment taxpayers the ability to defer their July 2020 and January 2021 payments to January 2022.

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