

Coronavirus Response - Financial Support Update – 24th March 2020

Self Employed – possible amendments

The House of Commons committee that is scrutinising the COVID-19 legislation yesterday said that ‘The Secretary of State must, by regulation, introduce a scheme of statutory self-employment pay.....The scheme must make provision for payments to be made out of public funds to and individuals who are (a) self-employed or (b) freelancers’.

As the Parliamentary debate progresses, government legislation is being amended and the proposed changes to the bill **could see** self-employed clients paid 80% of their net monthly earnings averaged over the last three years, subject to a cap. We recognise that this is a key issue for many of you, however the proposed legislation is currently still only draft and subject to change, so we will bring you updates as soon as we have them. We are still expecting the legislation to go through quickly.

As a recap, officially the Government situation in this area remains as follows:

- The Government is deferring income tax self-assessment payments from July to January 2021. No penalties or interest will be charged in the deferral period.
- The Budget announced a temporary relaxation of the earnings rules (known as the Minimum Income Floor) for self-employed claimants who are sick or self-isolating according to Government guidance. This has already come into effect. On 20th February the Government extended this to all self-employed claimants not just those directly impacted by the virus, ensuring those affected by the economic impact of the outbreak are supported.
- If you are self-employed and you have coronavirus or are advised to self-isolate, you can now more easily make a claim for Universal Credit (UC) or new style Employment and Support Allowance. If you are eligible for new style Employment and Support Allowance, it will now be payable from day one of sickness, rather than day eight, if you have coronavirus or are advised to self-isolate.

If you are self-employed may also benefit from:

- Mortgage support: following discussions with industry, for those in difficulty due to coronavirus, mortgage lenders will offer mortgage holidays of 3 months.
- Loans forbearance: forbearance from lenders, where individuals are having difficulty paying back personal loans or credit.

Coronavirus Business Interruption Loan Scheme (CBILS)

The new CBILS funding scheme aimed at SMEs was available from yesterday, Monday 23rd March. Businesses will be able to access this government support to keep operating in the face of the global economic emergency brought on by coronavirus.

How can a business access the scheme?

- CBILS is available through the British Business Bank’s 40+ accredited lenders, which are listed on the British Business Bank website here:
- <https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils/>

- In the first instance, businesses should approach their own provider – ideally via the lender’s website.
- Decision-making on whether a business is eligible for CBILS is fully delegated to the 40+ accredited CBILS lenders. These lenders range from high-street banks, to challenger banks, asset-based lenders and smaller specialist local lenders.

Note: if the accredited lender can offer finance on normal commercial terms without the need to make use of the scheme, they will do so. This is at their total discretion.

Additional application notes:

Given there is likely to be a big demand for facilities now the scheme is live, applicants have been asked to:

- Consider applying via the lender’s website in the first instance. Telephone lines are likely to be busy and branches may have limited capacity to handle enquires due to social distancing.
- Applicants are asked to consider the urgency of their need – it is possible that some businesses may be looking for regular longer-term finance rather than ‘emergency’ finance, and there may other businesses with a more urgent need to speak with a lender.
- What types of finance are available and who offers which type?
- Also please consider your records, you will need up to date business records so it would be an idea to have these before you start the application process.

CBILS supports a wide range of business finance facilities, including:

- Term loans
- Overdrafts
- Asset finance
- Invoice finance

Note: Not every lender can provide every type of finance listed. CBILS is available through the British Business Bank’s 40+ accredited lenders, which are listed on the British Business Bank website here:

<https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils/accredited-lenders/>

CBILS – Key features

- Up to £5m facility: The maximum value of a facility provided under the scheme will be £5m, available on repayment terms of up to six years.
- 80% guarantee: The scheme provides the lender with a government-backed, partial guarantee (80%) against the outstanding facility balance.
- No guarantee fee for SMEs to access the scheme: No fee for smaller businesses.
- Interest and fees paid by Government for 12 months: The Government will 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.
- Finance terms: Finance terms are up to six years for term loans and asset finance facilities. For overdrafts and invoice finance facilities, terms will be up to three years.
- Security: At the discretion of the lender, the scheme may be used for unsecured lending for facilities of £250,000 and under. For facilities above £250,000, the lender must establish a lack or absence of security prior to businesses using CBILS.

- If the lender can offer finance on normal commercial terms without the need to make use of the scheme, they will do so.
- The borrower always remains 100% liable for the debt.

Am I eligible for Finance under CBILS?

The scheme is designed to support smaller businesses (SMEs) who don't meet a lender's normal lending requirements for a fully commercial loan or other facility, but who are considered viable in the longer-term.

To be eligible for a facility under CIBLS, a business must:

- Be UK based in its business activity with annual turnover or no more than £45m.
- Have a borrowing proposal which, were it not for the COVID-19 pandemic, would be considered viable by the lender and for which the lender believes the provision of finance will enable the business to trade out of any short-to-medium term difficulty.
- Smaller businesses from any eligible sector can apply for the full amount of the facility – see the BBB website for non-eligible sectors.

Important

Please note: The CBILS guarantee is to the lender and not the business. As with any other commercial transaction, the borrower is always 100% liable for repayment of the facility supported by CBILS and will still be the lenders first point of recourse for repayment.

CBILS decision making is fully delegated to the accredited lenders.

Coronavirus Job Retention Scheme – update (payroll)

We are still waiting for clarification from The Government on a number of key areas. We are being asked questions on a number of aspects of how the scheme may work, but there is little information available to date. We will update you when we can.

Legal and practical issues - furloughed staff

From what we understand, from provisional ACAS guidance, any agreement to furlough staff should be in writing. We would expect to see the following information:

- the date furlough starts
- possible review dates
- details on how to maintain contact
- A worker will stay employed while they are furloughed, but they must not work.

We will keep you updated and will be supplying template letter agreements in due course, however for now we would like to remind you that changing employee status to a 'furloughed worker' is subject to employment law. If the employee's contract contains a layoff or short-term clause, the client should be able to furlough the employee – contracts should be checked, and legal advice obtained. Many contracts will not contain relevant clauses. To avoid disputes, employee agreement should be obtained. A 20% reduction in salary will be a change in terms, so employers should seek agreement from the employee if they wish to do this. Where agreement is not reached – some

further advice would be needed. Given the unprecedented nature of the crisis, we hope all parties will be reasonable. As soon as we have templates and wording, we will make these available to you.

Currently, there is nothing within the HMRC filing rules that indicates employee is furloughed, so you should continue to use the 'normal' method of submitting your staff pay to your payroll provider or accountant, and, keep records of which staff are furloughed. Please be prepared that the payroll maybe, probably will be, paid by employers and then reimbursed to them by the government, as mentioned above, there is little information available to date, so better to plan to meet your March payroll as usual.

Business Grant Schemes

Guidance has been published today in order to assist Local Authorities in delivering the business grant schemes announced in Budget 2020 and increased on 17th March 2020. It sets out the eligibility for the Small Business Grant Fund (SBGF) and the Retail, Hospitality and Leisure Grant Fund (RHLGF). Details can be found at:

<https://www.gov.uk/government/publications/coronavirus-covid-19-guidance-on-business-support-grant-funding>

This confirms that Grant Funding remain at previously announced levels but does expand on the details published previously.

New Government Business Support website

A new website has been launched to provide details of the full range of business support measures for UK businesses and employees. The Government advise they know that some of the detail is not yet available. The Government have also provided a FAQ page to help.

<https://www.businesssupport.gov.uk/coronavirus-business-support/>