HM Treasury

WINTER ECONOMY UPDATE

STAKEHOLDER INFO PACK

JOB SUPPORT SCHEME

Job Retention Scheme

What is the scheme?

- The Job Support Scheme is designed to protect viable jobs in businesses who are facing lower demand over due to Covid-19, to help keep their employees attached to the workforce. The company will continue to pay its employee for time worked, but the burden of hours not worked will be split between the employer and the Government (through wage support) and the employee (through a wage reduction), and the employee will keep their job.
- The Government will pay a third of hours not worked up to a cap, with the employer also contributing a third. This will ensure employees earn a minimum of 77% of their normal wages.
- Employers using the Job Support Scheme will also be able to claim the Job Retention Bonus if they meet the eligibility criteria.
- The scheme will open on 1 November 2020 and run for 6 months, until 2021.

Who is eligible?

Employers

- All employers with a UK bank account and UK PAYE schemes can claim the grant. Neither the employer nor the employee needs to have previously used the Coronavirus Job Retention Scheme.
- Large businesses will have to meet a financial assessment test, so the scheme is only available to those whose turnover is lower now than before experiencing difficulties from Covid-19. There will be no financial assessment test for small and medium enterprises (SMEs).

Employees

- Employees must be on an employer's PAYE payroll on or before 23 September 2020.

- In order to support viable jobs, for the first three months of the scheme the employee must work at least 33% of their usual hours. After 3 months, the Government will consider whether to increase this minimum hours threshold. Employees will be able to cycle on and off the scheme and do not have to be working the same pattern each month, but each short-time working arrangement must cover a minimum period of seven days.
- What does the grant cover?
- For every hour not worked by the employee, both the Government and employer will pay a third each of the usual hourly wage for that employee. The Government contribution will be capped at £697.92 a month.
- Grant payments will be made in arrears, reimbursing the employer for the Government's contribution.
- Employers must pay employees their contracted wages for hours worked, and the Government and employer contributions for hours not worked.
- Employees cannot be made redundant or put on notice of redundancy during the period within which their employer is claiming the grant for that employee.

Examples

- Beth normally works 5 days a week and earns £350 a week. Her company is suffering reduced sales due to coronavirus. Rather than making Beth redundant, the company puts Beth on the Job Support Scheme, working 2 days a week (40% of her usual hours).
- Her employer pays Beth £140 for the days she works.
- And for the time she is not working (3 days or 60%, worth £210), she will also earn 2/3, or £140, bringing her total earnings to £280, 80% of her normal wage.
- The Government will give a grant worth £70 (1/3 of hours not worked, equivalent to 20% of her normal wages) to Beth's employer to help them keep her job.

Hours Employee Worked	33%	40%	50%	60%	70%
Hours Employee Not Working	67%	60%	50%	40%	30%
Employee Earnings (% of normal)	78%	80%	83%	87%	90%
Gov't Grant (% of normal wages)	22%	20%	17%	13%	10%
Employer Cost (% normal wages)	55%	60%	67%	73%	80%

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<u>SEISS Grant Extension Factsheet</u>

What is the scheme?

- The Chancellor recognises the continued impact that COVID-19 has had on the self-employed and has taken action to provide further support. This is in addition to the more than £13.4 billion of support already provided for over 4.9 million self-employed individuals through the first two stages of the Self Employment Income Support Scheme – one of the most generous in the world.
- The SEISS Grant Extension provides critical support to the self-employed. The grant will be limited to self-employed individuals who are currently eligible for the SEISS and are actively continuing to trade but are facing reduced demand due to COVID-19.

Who is eligible?

- To be eligible for the scheme, self-employed individuals, including members of partnerships, must meet the following criteria:
- Currently be eligible for the SEISS (although they do not have to have claimed the previous grants)
- Declare that they are currently actively trading and intend to continue to trade
- Declare that they are impacted by reduced demand due to COVID-19 in the qualifying period. The qualifying period for the first grant is between 1 November and the date of claim

What does the grant cover?

- The extension will provide two grants and will last for six months, from November 2020 to April 2021. Grants will be paid in two lump sum instalments each covering a three-month period.
- The first grant will cover a three-month period from the start of November until the end of January. The Government will provide a taxable grant covering 20 per cent of average monthly trading profits, paid out in a single instalment covering 3 months' worth of profits, and capped at £1,875 in total.
- The Government are providing broadly the same level of support for the self-employed as is being provided for employees through the Job Support scheme.
- The second grant will cover a three-month period from the start of February until the end of April. The Government will review the level of the second grant and set these in due course.

- The grants are subject to Income tax and National Insurance Contributions.

How can I claim?

- HMRC will provide full details about claiming and applications in guidance on gov.uk in due course.

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LOANS SCHEMES

Through the extension of the government guaranteed loan schemes, and the launch of Pay As You Grow, the Chancellor is supporting all businesses by taking action to relieve the pressure on their finances in the coming months. This will enable them to grow and to support and create jobs.

What are the changes?

- The Government is extending Bounce Back Loans, Coronavirus Business Interruption Loans, Coronavirus Large Business Interruption Loans and the Future Fund until the 30th November.
- The Chancellor is also launching a new Pay as You Grow system which gives flexibility to businesses in repaying Bounce Back Loans. All borrowers will now have the option to repay their loans over a period of up to 10 years, reducing their average monthly repayments on the average loan by almost half.
- Businesses will also have the option to
    - move temporarily to interest-only repayments for periods of up to six months, and to:
    - pause their repayments entirely for up to six months (after they have made their first six payments)

Who will this help?

- More than **one million businesses** have taken out a Bounce Back Loan, with an average loan size of £30,000.
- These businesses can all benefit from the flexibilities available through Pay As You Grow, helping them to manage their cashflows and protect jobs.

How will it help?

- A business which took out a £30,000 Bounce Back Loan would see their **average monthly repayments fall from £532 to £309 (42% reduction) if they repaid the loan over 10 years** rather than six. This will boost their cashflow, enabling them to support and protect jobs.
- The same business could temporarily **reduce their monthly repayments to just £63 if they switched to interest-only payments**.
- Finally, **utilising a capital and repayment holiday would reduce monthly repayments to £0**, allowing the business a six-month period to get back on their feet before resuming repayments.

- The deadlines for applications for the government-guaranteed loans are also being extended to 30 November, meaning that even more firms can benefit from loans to support their business and jobs.
- In addition, the deadline for applications under the Future Fund, which provides convertible loans to innovative companies which are facing financing difficulties due to coronavirus, is also being extended to 30 November. This means more of our most innovate businesses can grow and scale up.

How does it compare?

- This extension brings the application deadline for the UK's loan guarantee schemes into line with other European countries. Loan schemes in France and Germany – which are subject to the same State Aid rules as the UK - close in December.
- Germany's Schnellkredit loans scheme also allows repayments over 10 years, but at a more expensive rate of interest (3%) than BBLS (2.5%).

Scheme Usage to Date

- More than 1 million Bounce Back Loans with a combined value of more than £38bn have been approved to date.
- Meanwhile, over 66,000 CBILS loans with a combined value of £15.5bn have been approved to date.
- For larger businesses, 566 CLBILS loans worth £3.84bn have been approved.
- Under the Future Fund, over 700 convertible loans worth £720m have been approved.
- British Business Bank data shows that the proportion of CBILS and Bounce Back Loans awarded closely match the respective share of businesses of each English region and devolved nation.

TAX

<u>15% VAT cut extension for tourism and hospitality</u>

The government announced it will extend the temporary 15% VAT cut for the tourism and hospitality sectors by 11 weeks, ending on 31 March 2020 rather than 12 January 2020.

Why will extending cutting VAT protect jobs?

- **8% of the UK's workforce – over 2.4 million people – rely on hospitality**, accommodation and attractions for employment. **Extending the reduced rate means that over 150,000 businesses will continue to be supported**. It is up to businesses to decide whether or not they pass on the savings to consumers.
- **80% of hospitality firms stopped trading in April and 1.4 million hospitality workers have been furloughed – the highest proportions of any sector**. [ONS Business Impact of COVID-19 Survey (BICS) results, BICS Wave 3: 6 April to 19 April 2020, HMRC, Statistical Bulletin, Coronavirus Job Retention Scheme Official Statistics – 11 June 2020 Release, Resolution Foundation: the full Monty]
- Evidence from 2008 suggests that the hospitality sector could be a key contributor to the jobs recovery post-Covid. It generated **22 per cent of new jobs for unemployed people in 2010 and 2011**, according to the Resolution Foundation, despite accounting for just 10 per cent of overall employment. [Getting Britain working Safely again, 2020]

Whose jobs will the VAT cut protect?

- **Employees under 25 are over twice as likely to have worked in a sector that has been shut down than other employees** [IFS – "Sector shutdowns during the coronavirus crisis: which workers are most exposed?]
- Employees in the hospitality industry are more **likely to not have a degree or higher qualification**, putting them at greater risk of greater risk of long-term unemployment issues [ONS, Graduates in the UK Labour market, 2017]
- **18% of employees are from black, Asian, and minority ethnic backgrounds, which compares to 13% from all industries** (ONS Annual Population Survey 2019).

- It **employs more women than men, 56% and 44% respectively**. [ONS Labour Force Survey, June 2020, Graduates in the UK Labour market, 2017]
- The sector is a significant source of regional employment, particularly in regions dependent on tourism, including Cornwall and Isles of Scilly Devon, Cumbria, North Yorkshire and Highlands and Islands. (ONS BRES, 2018)
- The majority of businesses (53%) in the hospitality and accommodation sector are registered for VAT, and it is estimated that these account for more than 90% of employment in the sector. Extending the reduced rate will continue to support the accommodation and food services industry which, according to the ONS, **employs 1,008,000 women compared to 785,000 men.**

New Payment Scheme (for deferred VAT)

How does this help businesses?

- We want the recovery to continue and continue strongly. We don't want businesses to face large bills for their deferred VAT just as the economy is recovering.
- This measure eases the burden for businesses by helping them with their cash flow as they adapt to the new economic environment.

How does it work?

- All UK VAT registered businesses could access the original VAT deferral scheme and as of June 7th, **£27.5bn in VAT had been deferred by 496,000 businesses**.
- Under the New Payment Scheme businesses will have the option to make 11 equal payments (each around 9%) of the total deferred VAT they owe, starting at the end of March 2021 with an initial upfront payment (of around 9%).
- A business could move from paying 100% of deferred VAT due at end March to paying just 9%. The average deferred VAT per business was around £60,000. Only 9% of that would be due at end March 2021 (£5,400) rather than the full 100%
- The British Retail Consortium called the original VAT deferral a "vital lifeline". The CBI said it "will support the livelihoods of millions"
- Since March 2020, HMRC have also set up a dedicated Covid-19 helpline to support customers seeking a TTP, making **2,000 staff available** on this line to handle increase demand, with over **60,000 enhanced Time to Pays** have been agreed through that helpline, covering over **£12bn of tax.**

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<u>Enhanced Time to Pay for Self-Assessment Taxpayers</u>

- Self-assessment payments due in July 2020 were deferred to January 2021 for any taxpayer who opted in by not making their July 2020 payment. No interest or penalties applied to these deferred payments.
- Approximately 1.**5 million taxpayers deferred an estimated £6 billion after the Self-Assessment Tax Deferral** was announced in March 2020. This represented an estimated **45% of tax due being deferred**.
- Of the 11 million self-assessment taxpayers, **an estimated 2.7 million (including 1.3 million self-employed)** had payments on account due in July 2020 and were eligible for the deferral. There were no sectors/ businesses excluded.
- To further support the self-employed and other taxpayers that may struggle to pay their deferred July payment on account, HMRC are upgrading their current Time to Pay "self-service" facility.
- Extending the previous offer of assistance for up to £10,000 of tax debt, from 1 October **all 11 million self-assessment taxpayers will be able to benefit** from a new, more generous option to form a payment arrangement of up to 12 months for their self-assessment tax due in January 2021
- Taxpayers with up to £30,000 worth of self-assessment tax debt (c95% of self-assessment taxpayers) will now be able to agree a payment plan that suits them online via the gov.uk website. Those with more than £30,000 worth of debt would still be able to arrange a payment plan with HMRC over the phone.