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The Chancellor Rishi Sunak has today announced a package of new measures to support the economy during the Coronavirus pandemic. This includes a new job support scheme, continuing reduced VAT rates, and additional time to pay deferred taxes.

## **SUMMARY**

The 'Winter Economy Plan' came as the government cancelled the Autumn 2020 budget. It includes:

1. A new 'Job Support Scheme' to replace the Coronavirus Job Retention Scheme (CJRS) which ends on 31 October
2. A similar new scheme for the self-employed
3. A new 'Pay-as-you-grow' plan allowing Bounce Back Loan (BBL) repayment periods to be extended from six to ten years
4. Existing business loan schemes to remain open until 30 November 2020 with a new scheme for January 2021
5. Payment instalment options for businesses who have deferred their VAT until 31 March 2021 which will allow this to be paid off in equal instalments over the 2021/22 tax year
6. Payment instalment options for taxpayers with self-assessment liabilities up to £30k – HMRC will allow a Time To Pay arrangement to be made for any payments deferred from July 2020, and those due in January 2021, but balances must be paid in full by 31 January 2022 and almost certainly will attract interest
7. An extension to the 5% VAT cut for those in the hospitality and tourism

industries from 12 January 2021 to 31 March 2021

<https://www.gov.uk/government/publications/winter-economy-plan/winter-economy-plan>

## **JOB SUPPORT SCHEME**

The new scheme is to apply for six months from 1 November 2020.

- Anyone employed as of 23 September 2020 will be eligible but employees must not be on a redundancy notice
- **Employees must work at least 33% of their usual hours**
- Employees should be paid as normal
- **For every hour not worked the employer and the government will each cover one-third of the employees' usual pay**
- The government contribution to be capped at £697.92 per month
- **For example, an employee working 33% of their normal hours would receive 77% of their pay – 22% will be paid by the government (being 1/3 of 66%) and 55% paid by the employer**
- The employer will be reimbursed in arrears as with the CJRS
- The employer must be an SME
- The government expects that large businesses will not make capital distributions, such as paying dividends, whilst they are using the scheme
- There is no requirement for the employer to have previously furloughed workers under the CJRS
- The scheme can be used alongside the Job Retention Bonus

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/921389/Job\\_Support\\_Scheme\\_Factsheet.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/921389/Job_Support_Scheme_Factsheet.pdf)

## **SELF-EMPLOYED**

There is to be similar support for the self-employed by way of extending the Self-Employed Income Support Scheme (SEISS) to April 2021.

This will involve **two taxable grants each covering a three month period:**

1. The first to cover November 2020 to January 2021 will be based on **20% of average monthly trading profits capped at £1,875 per month**
2. The details of the second grant, covering February to April 2021 are to be announced in due course

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/921386/FINAL\\_SE\\_factsheet.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/921386/FINAL_SE_factsheet.pdf)

## **BUSINESS FUNDING AND CASHFLOW**

Under the new 'Pay-as-you-grow' terms of the bounce-back loan scheme, loan repayments may be **extended from six to ten years**

- Business who have taken bounce-back loans move temporarily to interest-only payments for periods of up to six months (an option which they can use up to three times), or to pause their repayments entirely for up to six months (an option they can use once and only after having made six payments) without it affecting their credit rating
- The terms of Coronavirus Business Interruption Loans (CBILs) are to be changed such that the government's guarantee is extended to ten years
- **All business loan schemes are to remain open for new applications until 30 November 2020**
- A new loan scheme is being devised for January 2021

## **DEFERRED TAX LIABILITIES**

- **VAT** – Businesses who deferred VAT payments (which were due between 20 March 2020 and 30 June 2020) to 31 March 2021 will now be able to pay these in eleven interest-free instalments during the 2021/22 tax year – this will not be automatic and businesses will need to opt in
- **Income Tax** – Taxpayers who deferred their July 2020 Income Tax payments on account to 31 January 2021 will now be able to apply for a Time To Pay arrangement to pay these, and the liabilities normally due on the same date, over a twelve-month period to 31 January 2022. This only applies to taxpayers with self-assessment liabilities up to £30,000. No specific announcement has been made about whether interest will

be charged however as this will be under the existing Time To Pay arrangements it is likely that it will be!

## **VAT – HOSPITALITY AND TOURISM SECTORS**

The temporary VAT cut to 5% for the hospitality and tourism sectors was due to end on 12 January 2021 but has been extended to 31 March 2021.

We are awaiting the detail behind all of the above announcements and will send follow up bulletins as and when we get it.

The Allens Team



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