

EXTENSIONS TO COVID SUPPORT SCHEMES

With the continued success of the vaccine rollout, hopefully we all have cause to look forward to a brighter few months ahead of us. However, it is clear that the financial impact of the Coronavirus pandemic will continue to be felt for many months and years to come. The Government has recently provided further information on extensions to some of the financial support schemes available for businesses, as follows:

Coronavirus Job Retention Scheme

The Coronavirus Job Retention Scheme (CJRS) has been extended until 30 September 2021. The CJRS currently provides employers with a taxable grant equivalent to 80% of employees' wages for hours not worked, up to a cap of £2,500 per month. The grant will remain at this level until 30 June 2021.

For the month of July 2021, the level of grant will be reduced to 70% and employers will have to contribute 10% of the cost of hours not worked and for August and September, the grant will be reduced to 60%, with employers contributing 20% of the cost of hours not worked. To be eligible for the grant, employers must continue to pay furloughed employees 80% of their usual wages.

Employers will also continue to bear the full cost of Employer's National Insurance Contributions and pension contributions for their employees for the remaining duration of the scheme.

Treasury issues guidance on the final two self-employed grants

More help for the self-employed has already been announced, with the final two income support grants covering up until the end of September 2021.

The fourth taxable grant available through the Self-Employed Income Support Scheme (SEISS) covers a three-month period from 1 February to 30 April 2021. As with two of the previous SEISS grants, the fourth grant is worth 80% of three months' average trading profits, paid out in a single instalment of up to £7,500.

The fifth grant covers May to the end of September 2021, but the amount available depends on loss of income. Those self-employed individuals whose turnover has fallen by at least 30% can apply for a grant of up to 80% of profits, up to £7,500 in total. Those whose income has fallen by less than 30% can apply for a grant of 30% of trading profits, up to a cap of £2,850.

Claims for the fourth grant can be made towards the end of this month, while claims for the fifth grant will open in July.

Around 600,000 self-employed individuals missed out on previous grants because they had recently started working for themselves and had not filed a tax return to prove their income status. But those who filed a 2019/20 tax return through self-assessment on or before the extended deadline at midnight on 2 March 2021 will now be eligible for the new grants, as long as they meet the detailed criteria.

Three-month extension for business rates holiday in England

The year-long business rates holiday in England has been extended for another three months, until the end of June 2021. Eligible retail, hospitality and leisure businesses will then pay a third of their normal charge for the rest of the financial year. The amount that a business can receive will be capped at £2m for properties that had to close on 5 January 2021, or £105,000 per business for other eligible properties. The Treasury expects to see "the vast majority of eligible businesses receiving 75% relief" from business rates in 2021/22.

Meanwhile, a fundamental review into the business rates system in England – announced in the 2020 Budget – is due to be published in the autumn.

New Recovery Loan Scheme replaces previous COVID-19 loans

All UK businesses can access loans and other finance of up to £10 million each, following the end of the COVID-19 loan schemes. Applications for both Coronavirus Business Interruption Loans – for large firms and SMEs – and Bounce Back Loans, officially closed on 31 March 2021.

UK businesses of any size can apply for a loan or overdraft under the Recovery Loan Scheme of between £25,000 and £10m until the end of 2021, with interest and fees applying. Invoice finance and asset finance worth between £1,000 and £10m per business is also available over the same period. The Government hopes the Recovery Loan Scheme will help businesses recover and grow when lockdown restrictions continue to ease.

Continued VAT reduction for the tourism and hospitality industry

The VAT discount for businesses providing goods and supplies in the tourism and hospitality sectors has been extended by six months. The temporary 5% rate for such services was due to end on 31 March 2021, but will now continue until 30 September 2021.

Beyond that date, a new 12.5% rate of UK VAT will apply to these sectors between 1 October 2021 and 31 March 2022. This 'intermediate' rate is intended to ease these businesses back to the application of the standard 20% rate of UK VAT on their supplies with effect from 1 April 2022.

The above is for general guidance only and no action should be taken without obtaining specific advice..

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