October 2020

WINTER ECONOMY PLAN

Having cancelled the Autumn Budget for the second successive year, Chancellor Rishi Sunak revealed the 'next phase' of financial support, named the Winter Economy Plan, to Parliament on 24 September 2020. I have set out below the main measures which the Chancellor announced.

Job Support Scheme

The Government and employers will carry on topping up workers' wages when the furlough scheme winds down at the end of the month. With the existing Coronavirus Job Retention Scheme ending on 31 October 2020, Chancellor Rishi Sunak announced the new Job Support Scheme will kick in on 1 November 2020. It aims to prevent mass redundancies by helping employees who have not been able to return to full-time work due to COVID-19. The Chancellor said the new scheme will "support only viable jobs", rather than jobs that simply exist because of the furlough scheme. He also acknowledged that he "cannot save every business or every job" but said the approach to supporting people's jobs "must evolve". Employers who use the Job Support Scheme can also still claim the job retention bonus, where the Government pays £1,000 for every furloughed worker who returns to work until at least 31 January 2021.

How will the Job Support Scheme work?

The Government will subsidise the wages of employees who are working fewer hours than normal due to lower demand as a result of coronavirus. Staff who work at least a third of their usual hours from 1 November 2020 will be eligible for the scheme. Employers will pay staff for the hours they work. The Government and the employer will then pay one third each of the employee's lost pay. The grants will be capped at £697.92 a month for six months, until 30 April 2021.

All small and medium-sized employers will be eligible for the scheme, along with larger firms with reduced turnover from the pandemic. Businesses do not need to have used the furlough scheme to qualify for the Job Support Scheme from next month.

Comparing it to the furlough scheme

The Job Support Scheme is less generous than the furlough scheme but more flexible, essentially encouraging employers to give staff as many hours as they can or need to. The Government contribution to workers' pay will fall from the initial 80% of a monthly wage up to £2,500 when the furlough scheme started in March, to 22% of a monthly wage from November. It will cost the Government an estimated £300 million a month, compared to more than £39 billion paid out through the furlough scheme to date. Costs will increase for employers who use the Job Support Scheme. In March, they had the option to pay 20% towards a furloughed worker's salary. In November, they will have to pay a third of the lost pay on top of the hours the employee actually works.

Coronavirus loans

Employers have an extra two months, until 30 November 2020, to apply for four business loans. The deadline for new applications was due to expire on 30 September 2020. This applies to the Coronavirus Business Interruption Loan Scheme (CBILS), the equivalent for larger firms, Bounce-Back Loans (BBLs), and borrowing through the future fund. To try and avoid businesses running into a cashflow crisis, repayment terms under the BBLs and CBILS can be extended from six to ten years.

Double VAT boost

A cut to the standard rate of VAT - from 20% to 5% - for businesses in the hard-hit hospitality and tourism sectors will remain in place until 31 March 2021. In addition, businesses that deferred their VAT payments between 20 March and 30 June 2020 will no longer have to pay a lump sum on or before 31 March 2021. Instead, the Government is offering the option to split this repayment into smaller, interest-free payments over the course of 11 months - potentially benefiting up to 500,000 firms.

Extension to SEISS grants

This scheme will work on "similar terms" to the new Job Support Scheme, offering limited grants to those self-employed individuals whose work continues to be affected by the pandemic. An initial grant will cover a three-month period from 1 November 2020 to 31 January 2021. This is set to cover 20% of a self-employed individual's average monthly trading profits, capped at a total of £1,875 in total. A second grant will also be made available to cover dates from 1 February 2021 to 30 April 2021, but further details have yet to be set. The extension will only be available to self-employed people who are currently eligible for the SEISS and actively continuing to trade, but are facing reduced demand because of the coronavirus pandemic.

How does it compare to the last grants?

The next set of grants offer much more limited support than the last phases of the scheme, with extra conditions attached. When the SEISS first launched in March, it offered self-employed individuals a grant of 80% of their average monthly trading profits to cover three months, up to a limit of £7,500 in total. This was reduced in the second grant announced in May, which provided 70% of average monthly trading profits, capped at £6,570. This current round of grants is due to close for new applications on 19 October 2020. Neither of the previous instalments required the applicant to be "actively trading" and "impacted by reduced demand".

More time for self-assessment

Self-assessment taxpayers were given the option to defer payments on account that were due in July 2020. A further extension has now been announced, so that taxpayers with up to £30,000 in self-assessment liabilities due in January 2021 will be able to use HMRC's time-to-pay facility to pay over an extra 12 months. In effect, this means those who deferred their payments on account in July 2020 will not need to pay their bill in full until 31 January 2022, but interest charges may arise under the time-to-pay arrangement.

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

Bath
37 Great Pulteney Street
Bath
BA2 4DA
+44 (0)1225 460491

Chippenham
67 & 68 St Mary Street
Chippenham, Wiltshire
SN15 3JF
+44 (0)1249 444666

Trowbridge
5 Wicker Hill
Trowbridge, Wiltshire
BA14 8JS
+44 (0)1225 764441