

WINTER ECONOMY PLAN

Here are the headlines from the Chancellors statement in Parliament yesterday where a series of measures to help jobs and businesses were announced.



NEW JOB SUPPORT SCHEME ANNOUNCED

Chancellor Rishi Sunak announced a new job scheme starting 1 November 2020 to replace the current Job retention (“furlough”) scheme which ends on 31 October 2020.

All small and medium-sized businesses are eligible, larger businesses must show their turnover has fallen during the pandemic. Employers can use the new scheme even if they have not previously used the furlough scheme.

The new Government scheme will last for six months to 30 April 2021 and to be eligible employees will need to be working a minimum of 33% of their hours. For the remaining hours not worked the Government and employer will pay one third of wages each. This means that:

- Employers will continue to pay the wages of staff for the hours they work - but for the hours not worked, the government and the employer will each pay one third of their equivalent salary.
- Employees who can only go back to work on shorter time will still be paid two thirds of the hours for those hours they can't work.
- The level of grant will be calculated based on employee's usual salary, capped at £697.92 per month.

By way of an example an employee working 33% of their hours will receive at least 77% of their pay, 22% paid by the Government and 55% paid by their employer (the “worked” 33% plus 22%).

SELF-EMPLOYED INCOME SUPPORT SCHEME

The existing self-employed grant (SEISS) will also be extended on the same basis as the job support scheme.

An initial taxable grant will be provided to those who are currently eligible for SEISS and are continuing to actively trade but face reduced demand due to coronavirus. The initial lump sum will cover three months' worth of profits for the period from November to the end of January next year. This is worth 20% of average monthly profits, up to a total of £1,875.

An additional second grant, which may be adjusted to respond to changing circumstances, will be available for self-employed individuals to cover the period from February 2021 to the end of April 2021.

VAT CUT FOR HOSPITALITY SECTOR CONTINUES

The reduction in VAT to 5% for the hospitality and tourism sector will be extended until 31 March 2021.

DEFERRAL OF VAT BILLS

Up to half a million businesses who deferred their VAT bills will be given more breathing space through the New Payment Scheme, which gives them the option to pay back in smaller instalments. Rather than paying a lump sum in full at the end March next year, they will be able to make 11 smaller interest-free payments during the 2021-22 financial year.

SELF-ASSESSMENT TAXPAYERS – TIME TO PAY EXTENSION

Approximately 11 million self-assessment taxpayers will be able to benefit from a separate additional 12-month extension from HMRC on the "Time to Pay" self-service facility, meaning payments deferred from July 2020, and those due in January 2021, will now not need to be paid until January 2022.

BOUNCE BACK LOANS - FLEXIBILITY GIVEN TO PAY BACK AMOUNTS BORROWED

More than a million businesses who took out a Bounce Back Loan will get more repayment time through a new Pay as You Grow flexible repayment system.

This includes extending the length of the loan from six years to ten, which will cut monthly repayments by nearly half. Interest-only periods of up to six months and payment holidays will also be available to businesses.

The Government also intends to give Coronavirus Business Interruption Loan Scheme lenders the ability to extend the length of loans from a maximum of six years to ten years if it will help businesses to repay the loan.

The chancellor also announced an extension in applications for the government's coronavirus loan schemes until the end of November.

Further guidance will be issued in due course.

See: <https://www.gov.uk/government/news/chancellor-outlines-winter-economy-plan>