

[Latham & Watkins Tax Practice](#)

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## COVID-19: Key UK Business Measures — Current State of Play

*Given the many fast-paced UK government announcements of COVID-19-related measures, this Alert provides an up-to-date summary as of 24 March 2020.*

### Key Points:

- In a series of announcements starting with the budget on 11 March 2020, the UK government has announced significant measures to support British business and workers on an unprecedented scale.
- Key announcements include the Job Retention Scheme, the COVID-19 Corporate Financing Facility, the Coronavirus Business Interruption Loan Scheme, the Retail and Hospitality Grant Scheme, business rates holidays, statutory sick pay relief, and certain tax deferrals.
- Further announcements are expected over the coming days and weeks, with a general expectation that further support will be announced for airlines and the self-employed.
- Some elements of business support are devolved meaning that the measures businesses can access may differ in Scotland, Wales, and Northern Ireland.

As governments continue to ramp up their efforts to address the spread of COVID-19, it is increasingly clear that the “social distancing” initiatives and government “lock-downs” present economic challenges of a like not seen in recent memory. With the expectation that these measures could be in place for a number of months, governments around the globe have introduced extensive fiscal policies to alleviate some of the economic pressure. The UK government, for its part, has announced a series of measures on a scale which would have been unthinkable for many within the Conservative government as recently as the December 2019 general election. This *Client Alert* provides a brief up-to-date summary of the key UK business measures already announced. The speed at which the government is acting means that the details of some measures are still developing and further measures are expected imminently, not least to support the self-employed and the aviation industry.

### Government-Backed Lending

The government has announced plans to stand behind £330 billion worth of loans to support businesses in the UK. If demand for the scheme exceeds £330 billion, the government has promised it will go further and provide as much capacity as required. The loans will be delivered through two routes:

- COVID-19 Corporate Financing Facility** – A new short-term lending facility operated through the Bank of England will help support liquidity among larger firms, which make a material contribution to the UK economy. The scheme will operate through a Bank of England backed fund (the COVID-19 Corporate Financing Facility Limited) purchasing sterling denominated commercial paper of up to one year maturity (issued via a bank) in the primary market via dealers and in the secondary market from eligible counterparties, at a minimum spread over reference rates based on the sterling overnight index swap curve. Spreads will be set such that pricing is close to the market spreads prevailing before the economic shock from COVID-19. The scheme is open to firms that can demonstrate that they were in sound financial health prior to the impact of COVID-19 (generally those that as of 1 March 2020 had a rating of investment grade or financial strength equivalent to an investment grade rating). The minimum size of an individual security that the Bank of England-backed fund will purchase from an individual issuer is £1 million nominal value. Purchases of commercial paper may be limited by issuer — any such limits will be made available, on request, to the issuer only. Commercial paper issued by leveraged investment vehicles or from companies within groups that are predominantly banks, investment banks, insurance companies, or building societies will not be eligible. Commercial paper with any non-standard features (e.g., subordination or extendibility) will also not be accepted under the scheme. Companies who wish to use the scheme are not required to have issued commercial paper before. The scheme is available for applications from the week beginning 23 March 2020, and is expected to be open for at least 12 months.
- Coronavirus Business Interruption Loan Scheme** – A temporary loan scheme, delivered by the British Business Bank (through more than 40 accredited lenders listed on the British Business Bank website), allows businesses with a turnover of up to £45 million and that meet the other British Business Bank eligibility criteria to access bank lending, overdrafts, invoice finance, and asset finance of up to £5 million for a term of up to six years. The government will cover the first 12 months of interest payments and any lender-levied fees. The government will also provide lenders with a guarantee of 80% on each loan for no fee (subject to a per-lender cap on claims). This scheme is available for applications from the week beginning 23 March 2020. To access the scheme, businesses should communicate with their bank or finance provider (not the British Business Bank). All major banks are reportedly offering this scheme.

## Grant Schemes

- Small Business Grant Scheme** – A one-off grant of £10,000 is to be provided by local authorities for all businesses based in England in receipt of small business rate relief, rural rate relief, and tapered relief. Businesses do not need to do anything to access the grant, local authorities will write to eligible businesses.
- The Retail and Hospitality Grant Scheme** – A cash grant for businesses based in England in the retail, hospitality, and leisure sectors of £25,000 per property for those businesses with a rateable value of between £15,000 and £51,000. Businesses in these sectors with a rateable value of under £15,000 will receive a grant of £10,000. Businesses do not need to do anything to access this scheme, local authorities will write to businesses that are eligible for the grant.

## Retention of Employment

- Job Retention Scheme** – Government grants (by way of a reimbursement from HMRC) will cover 80% of the salary of retained workers, up to a total of £2,500 a month, that would otherwise have been laid off. The scheme, open to any employer in the UK with a PAYE scheme, will cover the cost of wages backdated to 1 March 2020 and will be open before the end of April for at least three

months. This scheme applies to employees who have been asked to stop working but who are being kept on the payroll (described as “furloughed workers”). Workers will not be permitted to claim redundancy pay whilst on this scheme. The government will retain the right to retrospectively audit all aspects of the scheme with scope to claw back fraudulent or erroneous claims. To access the scheme employers will be required both to:

- Designate affected employees as “furloughed workers”, and notify the relevant employees of this change.
  - Submit information to HMRC about the employees that have been furloughed and their earnings through a new online portal (HMRC will set out further details on the information required in due course).
- **Statutory sick pay relief for SMEs** – Small and medium sized businesses (SMEs) based in the UK will be permitted to reclaim statutory sick pay (SSP) for sickness absence due to COVID-19. The refund will cover up to two weeks’ SSP per eligible employee and will be available to UK-based employers with fewer than 250 employees as of 28 February 2020. Employers should maintain records of staff absences and payments of SSP, but employees will not need to provide a GP fit note. If evidence is required by an employer, those with symptoms of coronavirus can get an isolation note from NHS 111 online and those who live with someone that has symptoms can get a note from the NHS website. The government will work with employers over the coming months to set up the repayment mechanism as soon as possible.

## Deferral of Tax

- **Deferral of VAT payments** – VAT payments for all UK businesses will be deferred for the period from 20 March 2020 through 30 June 2020. This deferral is automatic and no applications are required — businesses simply do not need to make payments and will have until the end of the 2020-2021 tax year to pay any liabilities that have accumulated during the deferral period. VAT refunds and reclaims will be paid by the government as normal.
- **Deferral of income tax payments for the self-employed** – Income tax self-assessment payments due on 31 July 2020 will be deferred until 31 January 2021. This is an automatic offer with no applications required and no penalties or interest will be charged during the deferral period. The self-employed can now also access, in full, Universal Credit at a rate equivalent to statutory sick pay for employees, if they are diagnosed with COVID-19 or required to self-isolate.
- **Business rates holiday** – Available for all retail, hospitality, leisure, and nursery businesses in England for the 2020-2021 tax year. No action will be needed from businesses to access this scheme, it will apply to the next council tax bill in April 2020 (though local authorities may need to reissue the bill to exclude business rate charge, which will be done as soon as possible).
- **HMRC Time to Pay** – Businesses in financial distress, and with outstanding tax liabilities, may be eligible to receive support with their tax affairs through HMRC’s Time To Pay service. These arrangements are agreed on a case-by-case basis and are tailored to individual circumstances and liabilities. HMRC will discuss the specific circumstances of the business to explore: 1) agreeing an instalment arrangement; 2) suspending debt collection proceedings; and, 3) cancelling penalties and interest if the business is having administrative difficulties contacting or paying HMRC. HMRC have a dedicated helpline at 0800 0159 559.

- **Deferral of previously announced off-payroll working reforms (IR35)** – Reforms to the rules for off-payroll work scheduled to take effect on 6 April 2020 will be postponed until 6 April 2021.
- **Corporation tax quarterly installment payments** – Although not a new measure, large corporates may have already paid a significant proportion of their corporation tax for the year under their quarterly payment regimes, which would likely have been based on originally projected higher profits. If the revised profits are now substantially reduced, it is possible to take into account the lower projected profits in the subsequent quarterly payments. If the group has paid too much under the regime, the group can then claim back the overpayment from HMRC.

## Protection From Eviction for Commercial Tenants

- Commercial tenants in England, Wales, and Northern Ireland who cannot pay rent due to COVID-19 will be protected from eviction. The measures mean that no business will automatically forfeit their lease and be forced out of their premises if they miss a payment up until 30 June 2020. The government can extend this period if needed. Commercial tenants will still be liable for rent, this is not a rental holiday. The scheme will come into force when the Coronavirus Bill receives Royal Assent.

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