MANAGING THE IMPACT OF CORONAVIRUS:

THE WINTER ECONOMY PLAN EXPLAINED

Briefing Paper
September 2020

Black Country Chamber of Commerce

blackcountrychamber.co.uk

Context

As the furlough scheme comes to an end, businesses, and their employees, have been anxious to know what's next to protect jobs still impacted by the pandemic. Today, (24th September), Chancellor Rishi Sunak revealed his Winter Economy Plan as a replacement for the furlough scheme which is coming to an end in October.

In this briefing paper, the fifth in our series, 'Managing the Impact of Coronavirus', we highlight the headlines in the Chancellor's Winter Economy Plan and explain what this means for our members.

What is the Job Support Scheme?

The Job Support Scheme (JSS) is designed to protect viable jobs in businesses who are facing lower demand due to Covid-10, to help keep their employees attached to the workforce.

The Company will continue to pay its employee for time worked, but the burden of hours not worked will be split between the employer and the Government (through wage support) and the employee (through a wage reduction), and the employee will keep their job.

The Government will pay a third of hours not worked up to a cap. The employer will also contribute a third. This ensures that employees earn a minimum of 77% of their normal wages.

Can I use the Job Support Scheme with the Job Retention Bonus?

Employers using the JSS will also be able to claim the Job Retention Bonus if they meet the eligibility criteria.

When will the scheme be open?

The scheme will open on 1 November 2020 and run for a period of 6 months until 2021.

Who is eligible for the scheme?

For Employers:

- All employers with UK bank account and UK PAYE schemes can claim the grant.
- Neither the employer nor the employee needs to have previously used the Coronavirus Job Retention Scheme (Furlough scheme).
- Large businesses will have to meet a financial assessment test, so the scheme is only available to those whose turnover is lower now than before experiencing difficulties from Covid-19.
- There will be no financial assessment for SMEs.

For Employees:

- Employees must be on an employee's PAYE payroll on or before 23 September 2020.
- For the first three months the employee must work at least 33% of their usual hours, after the three months the Government will consider whether to increase this minimum hours threshold.
- Employees will be able to cycle on and off the scheme and do not have to be working the same pattern each month, but each short time working arrangement must cover a minimum period of 7 days.

What does the scheme cover?

For every hour not worked by the employee, both the Government and the employer will pay a third each of the usual hourly wage for that employee.

The Government contribution will be capped at £697.92 a month.

Grant payments will be made in arrears, reimbursing the employer for the Government's contribution.

Employers must pay employees their contracted wages for hours worked, and the Government and employer contributions for hours not worked.

Employees cannot be made redundant or put on notice of redundancy during the period within with their employer is claiming the grant for that employee.

How does this work?

1. This is Beth. Beth normally works 5 days a week earning £350 per week.

2. Her company is suffering reduced sales due to Covid-19. Rather than making Beth redundant, the company puts her on the Job Support Scheme, working 2 days a week (40% of her usual hours).

3. Her Employer pays Beth £140 for the days she works.
For the time she is not working (3 days of 60% worth £210) she will also earn two thirds, or £140, bringing her total earnings to £280 or 80% of her normal wage.

4. The Government will give a grant woth £70 (one third of hours not worked, equivalent to 20% or her normal wages) to Beth's employer to help them keep her job.

Hours Employee Worked	33%	40%	50%	60%	70%
Hours Employee Not Working	67%	60%	50%	40%	30%
Employee Earnings (% of normal)	78%	80%	83%	87%	90%
Gov't Grant (% of normal wages)	22%	20%	17%	13%	10%
Employer Cost (% of normal wages)	55%	60%	67%	73%	80%

Self Employed Income Support Scheme (SEISS) Grant Extension

What is the SEISS Grant Extension

The SEISS Grant Extension provides support to the self-employed. The grant will be limited to self-employed individuals who are currently eligible for the SEISS and are actively continuing to trade but are facing reduced demand due to Covid-19.

Who is eligible for the scheme?

To be eligible for the scheme, self-employed individuals, including members of partnerships must meet the following criteria:

1. Be eligible for the SEISS (although they do not have to have claimed previous grants)
2. Declare that they are currently actively trading and intend to continue to trade
3. Declare that they are impacted by reduced demand due to Covid-19 in the qualifying period. The qualifying period for the first grant is between 1 November and the date of the claim.

What does the Grant Cover?

The extension will provide two grants to be paid in two lump sum instalments each covering a three-month period.

The first grant will cover a three-month period from the Start of November until the end of January.

The Government will provide a taxable grant covering 20% of average monthly trading profits, paid out in a single instalment covering 3 months' worth of profits capped at £1875 in total.

The second grant will cover a three-month period from the start of February until the end of April.

Both grants are subject to Income Tax and National Insurance Contributions.

When and how long for will the grant be available?

The extension will provide two grants and will last for six months from November 2020 to April 2021.

Changes to Loan Schemes

Through the extension of the government guaranteed loan schemes, and the launch of Pay As You Grow, the Chancellor is supporting all businesses by taking action to relieve the pressure on their finances in the coming months.

What are the changes

The Government is extending Bounce Back Loans, Coronavirus Business Interruption Loans, Coronavirus Large Business Interruption Loans and the Future Fund until the 30th November.

The Chancellor is also launching a new Pay as You Grow system which gives flexibility to businesses in repaying Bounce Back Loans.

All borrowers will now have the option to repay their loans over a period of up to 10 years, reducing their average monthly repayments on the average loan by almost half.

Businesses will also have the option to:

- move temporarily to interest-only repayments for periods of up to six months, and to:
- pause their repayments entirely for up to six months (after they have made their first six payments)

The deadline for applications for the government-guaranteed loans has also been extended to 30 November 2020.

The deadline for applications under the Future Fund – which provides convertible loans to innovative companies is also being extended to 30 November 2020.

How will this help?

For example – a business which took out a £30,000 Bounce Back Loan would see their average monthly repayments fall from £532 to £309 (42% reduction) if they repaid the loan over 10 years rather than six.

That business could also reduce repayments to £63 if it switched to interest-only payments.

If they utilised a capital and repayment holiday it would reduce their repayments to £0 allowing the business a six-month period to rebuild cashflow levels before resuming repayment.

15% VAT cut for tourism and hospitality sector extended

The Government has announced it will extend the temporary 15% VAT cut for the tourism and hospitality sectors by an additional 11 weeks.

This VAT cut will end on 31 March 2021 rather than 12 January 2020.

New Payment Scheme (for deferred VAT)

All UK VAT registered businesses could access the original VAT deferral scheme. Under the New Payment Scheme businesses will have the option to make 11 equal payments (approximately 9%) of the total deferred VAT they owe, starting at the end of March 2021 starting with an initial upfront payment of approximately 9%.

Enhanced Time to Pay For Self-Assessment Taxpayers

Self-assessment payments due in July 2020 were deferred to January 2021 for any taxpayer who opted in by not making their July 2020 payment.

No interest or penalties applied to these deferred payments and of the 11 million self-assessment taxpayers, an estimated 2.7 million (including 1.3 million self-employed) had payments on account due in July 2020 and were eligible for the deferral. There were no sectors/ businesses excluded.

To further support the self-employed and other taxpayers that may struggle to pay their deferred July payment on account, HMRC are upgrading their current Time to Pay "self-service" facility.

Extending the previous offer of assistance for up to £10,000 of tax debt, from 1 October all 11 million self-assessment taxpayers will be able to benefit from a new option to form a payment arrangement of up to 12 months for their self-assessment tax due in January 2021

Taxpayers with up to £30,000 worth of self-assessment tax debt (c95% of self-assessment taxpayers) will now be able to agree a payment plan that suits them online via the gov.uk website. Those with more than £30,000 worth of debt would still be able to arrange a payment plan with HMRC over the phone.

Our Position on the Chancellor's Winter Economy Plan

The Chancellor's new 'Winter Economy Plan' comes after increasing pressure from business groups, including the British Chambers of Commerce, MPs and unions to extend the furlough scheme amid fears the new restrictions will damage the economy.

However, we need to see more details on the new job scheme, as this is significantly less generous than the Furlough scheme and further details on the self-employed support.

With regards to the loans support this is a major win for the Chamber network, we have been calling for an extension to CBILs and BBLs, extending the payment terms and a commitment to a new loan scheme in 2021."

Talk to us about Membership of the Chamber

The Black Country Chamber of Commerce is a business support organisation and powerful network of local businesses helping to shape and power the regional economy.

Whilst our heritage stretches back to 1881, we are a dynamic and forward-looking not-for-profit organisation which understands and appreciates the challenges faced by firms operating in today's modern marketplace.

Fully accredited by British Chambers of Commerce, we are part of a network of 53 Chambers across the UK who believe that it's our relationships with others that lead us to goals beyond those we could ever achieve alone.

Our members benefit from a range of support, products and services which include:

- Becoming part of an instant and engaged network of businesses, leaders and influencers
- Opportunities to increase brand exposure and showcase latest news, products and services
- A comprehensive calendar of events and networking activities
- Discounts on a range of initiatives including training, export documentation and business essentials such as insurance and HR support
- A respected platform tackling the issues which restrict growth and potential

To explore our range of membership packages, visit blackcountrychamber.co.uk/membership or contact us by phone or email.

Get in touch:

By email:
Policy@blackcountrychamber.co.uk

By telephone:
01902 912 322