SPECIAL BULLETIN
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CHANCELLOR THROWS NEW JOBS LIFELINE

Emergency jobs package to replace furlough scheme.

With the furlough scheme winding down and local lockdowns on the increase to try and curb the rising tide of coronavirus, it was almost inevitable the Chancellor would have to step in again.

On 24 September 2020, Rishi Sunak did just that by announcing his unscheduled 'winter economy plan'. It's not an extension of the furlough scheme, which still ends on 31 October 2020 as planned.

The replacement draws inspiration from a tried-and-tested jobs support model already in use in Germany – the so-called Kurzarbeit (short-time working) approach.

Under that system, employers cut workers' hours and the Bundesregierung pays them a slice of the wages they lose as a result. The German scheme was tweaked in response to the pandemic, so that it runs for up to 21 months and the percentage of lost earnings paid can be as high as 80%.

THE JOB SUPPORT SCHEME

The UK-wide 'job support scheme' draws similarities with Kurzarbeit in that it will see the Government help to pay the wages of people returning to work on a part-time basis.

The system is designed to encourage companies to retain workers in viable jobs, while ensuring others are not kept on in posts that exist only because of the furlough scheme.

The new scheme, which will run for six months between 1 November 2020 and 30 April 2021, 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.

To be eligible for the scheme, employees must work at least a third of their regular hours and be paid at their usual rate.

For the remaining hours not worked, the Government and the employer each pay for a third of the worker's wages, with the state contribution capped at £697.92 a month. So employees working 33% of their hours will get at least 77% of their salary, subject to this contribution cap.

The scheme is available to all small and medium-sized businesses, while large businesses will only be able to use it if they can show their turnover was reduced by the virus. It's also available to employers, regardless of whether they have already used the furlough scheme.

Business groups praised the Chancellor for listening to advice and acting decisively to provide relief, although some fear the devil might be in the detail.

Adam Marshall, director-general at the British Chambers of Commerce, said "the measures will give businesses and the economy an important shot in the arm, while taking steps to help companies preserve jobs".

However, Jonathan Geldart, director-general at the Institute of Directors, said "at first blush, it's not yet clear how much the job support scheme will help hard-pressed firms hold onto staff."

SEISS GRANT EXTENSION

The self-employment income support scheme (SEISS), which was due to close for new applications on 19 October 2020, will now remain in place until 30 April 2021.

Sunak said this extension will support viable traders who are facing reduced demand due to COVID-19.

It will only be available to self-employed individuals who are currently eligible for SEISS and actively continuing to trade.

The extension will come in the form of two taxable grants, with the first covering 20% of average monthly trading profits, paid in a single instalment for the three months from 1 November 2020 to 31 January 2021, and capped at £1,875 in total.

The Government has said it will review the level for the second grant, which will cover the period from 1 February to 30 April, and "set this in due course".

MORE TIME TO PAY INCOME TAX BILLS

Any of the 11.7 million of self-assessed income taxpayers who need extra help can also now extend their outstanding tax bill over 12 months from January 2021.

The Government has handed the self-employed and other taxpayers more time to pay taxes deferred from July 2020 and those due in January 2021, building on the payments on account deferral in July 2020.

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 practice, those who deferred their payments on account in July 2020 will not need to settle their bill in full until on or before 31 January 2022.

LOANS EXTENSION FOR STRUGGLING FIRMS

There have been suspicions for some time that the coronavirus business interruption loan scheme (CBILS) might be extended past its current end date of Wednesday 30 September 2020.

The Chancellor has now confirmed that new applications for four existing business loan schemes have been extended until Monday 30 November 2020. These include:

- CBILS
- Coronavirus large business interruption loan scheme
- Bounce-back loans (BBL)
- The future fund

The Chancellor has also increased the repayment terms of BBLs and CBILS by offering the choice of extending the repayments from six to ten years, sharply reducing monthly instalments for around 1.6m UK businesses.

More than £53 billion has been provided through these two loan schemes, according to data published by the Treasury this week.

HOSPITALITY & TOURISM VAT RATE

On 8 July 2020, the Government cut the standard rate of VAT for businesses operating in the hospitality and tourism sectors from 20% to 5%, initially from 15 July 2020 until 12 January 2021.

This temporary reduction for the businesses severely affected by forced closures and social distancing measures due to the coronavirus has been extended until 31 March 2021.

This applies to the same organisations that make supplies of hospitality, hotel and holiday accommodation and admission to certain attractions, and their advisers.

"Maintaining the 5% VAT rate for hard-hit sectors promises to shore-up demand for firms that are especially struggling," said Mike Cherry, chairman at the Federation of Small Businesses. "Extending the deadline for deferrals of VAT bills will also help avoid a cliff-edge in the future."

OPTION TO SPLIT DEFERRED VAT BILLS

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.

NEW RESTRICTIONS, MORE REDUNDANCIES

This development comes in the context of new restrictions announced by Prime Minister Boris Johnson, including the compulsory 10pm closure of pubs, bars and restaurants.

It's possible – even likely – that further measures will be taken in October, taking the country back to something like the economic stagnation felt during lockdown in March and April this year.

Fears have also been growing of a wave of redundancies as the furlough scheme winds down, with 33% of private-sector firms intending to reduce the size of their workforces without additional government support, according to the CIPD.

HOW WILL THE UK PAY FOR THIS?

The cost of the Chancellor's new plan will add billions to the £320bn deficit already chalked up attempting to stem the economic fallout from the coronavirus.

As of August 2020, the furlough scheme has cost more than £36bn, while SEISS has cost around £7.5bn, pushing government spending up by around 60% compared to the same time in 2019.

At some point, taxes will have to rise, but there was no mention of that in Sunak's speech and the Chancellor has already postponed plans for an Autumn Budget until the spring, for the second consecutive year.

"As we heard this week, now is not the right time to outline long-term plans – people want to see us focused on the here and now," a Treasury source said. "So we are confirming today that there will be no Budget this autumn."

Speak to us about any of the new measures.