THE CHANCELLOR'S WINTER ECONOMY PLAN – 25 SEPTEMBER 2020

The Chancellor, Rishi Sunak, confirmed that there will be no Autumn Budget this year. He also outlined two new measures to support jobs over the coming months. His Winter Economy Plan offers additional support on a number of fronts including the new:

- Job Support Scheme and
- An extension to the Self- Employed Income Support Scheme.

The Furlough scheme is dying, long live the Job Support Scheme

It is confirmed that the existing furlough scheme will cease, as previously announced, 31 October 2020. The Chancellor has reaffirmed his support for jobs but not funding to pay staff for being at home.

There is no sectoral element to the new JSS, for example, extra support for sectors adversely affected by lockdown, primarily, hospitality trades, and the financial contribution to businesses by the JSS is not as generous as the financial benefit provided by the furlough scheme.

Consequently, employers will need to consider their options.

Who is eligible?

Conditions for employers:

- JSS is available to employers with a UK bank account and a UK PAYE scheme.
- The new scheme is available to employers or employees who did not use the furlough scheme.
- Large businesses will only be able to claim JSS support if they can demonstrate that their turnover is lower now than before experiencing COVID-related disruption. A large business for HMRC's operational purposes is usually defined as having more than 250 employees (this is reduced to 100 employees if the company is foreign-owned), or annualised turnover exceeding £30m.
- Large businesses using the JSS will be expected to make no capital distributions such as dividends or share buybacks.
- There will be no financial assessment test for smaller businesses (SMEs).

Conditions for employees:

- Employees must be on an employer's PAYE payroll on or before 23 September 2020. This means a Real Time Information (RTI) submission notifying payment to that employee to HMRC must have been made on or before 23 September 2020.
- In order to support viable jobs, for the first three months of the scheme the employee must work at least 33% of their usual hours. After 3 months, the Government will consider whether to increase this minimum hour's 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 seven days.

What does the grant cover?

For every hour not worked by the employee, both the Government and employer will pay a third each of the usual hourly wage for that employee. This means that employees working part-time will likely see a reduction in their take-home pay. The Government contribution will be capped at £697.92 a month.

Cashflow alert

Unlike the furlough scheme, where funds were generally paid in time to cover wage payments to employees, grant payments under the JSS will be made in arrears, reimbursing the employer for the Government's contribution.

JSS will be paid on a monthly basis but will be payable in arrears meaning that a claim can only be submitted in respect of a given pay period, after payment to the employee has been made and that payment has been reported to HMRC via an RTI return.

Employers will need to factor this into their cashflow forecasting. Companies will have to fund these payments for a number of weeks until their JSS claim is received.

What the JSS does not cover

The grant will not cover Class 1 employer NICs or pension contributions, and so these contributions will remain payable by the employer.

The government's contribution will be limited to one-third of hours not worked and capped initially at £697.92 a month.

Other considerations

- "Usual wages" calculations will follow a similar methodology as for the Coronavirus Job Retention Scheme. Full details will be set out in guidance shortly.
- Employees who have previously been furloughed, will have their underlying usual pay and/or hours used to calculate usual wages, not the amount they were paid whilst on furlough.
- Employers must pay employees their contracted wages for hours worked, and the Government and employer contributions for hours not worked. The expectation is that employers cannot top up their employees' wages above the two-thirds contribution to hours not worked at their own expense.
- The employee must be working at least 33% of their usual hours. For the time worked, employees must be paid their normal contracted wage. For time not worked, the employee will be paid up to two-thirds of their usual wage.
- Employees cannot be made redundant or put on notice of redundancy during the period within which their employer is claiming the grant for that employee.

Making JSS claims

The scheme will be open from 1 November 2020 to the end of April 2021. Employers will be able to make a claim online through Gov.uk from December 2020.

HMRC will be checking claims

HMRC will check claims. Payments may be withheld or need to be paid back if a claim is found to be fraudulent or based on incorrect information. Grants can only be used as reimbursement for wage costs actually incurred.

Importantly, employers must agree the new short-time working arrangements with their staff, make any changes to the employment contract by agreement, and notify the employee in writing. This agreement must be made available to HMRC on request.

In a cryptic aside HMRC have confirmed their intention to inform employees of the full details of any JSS claim made on their behalf by employers.

The good news and the bad news

Clearly, any attempt at easing the cost of maintaining a workforce is to be applauded during this difficult time.

More cost is being transferred to the employer and cash flow will need to accommodate payments of JSS being made in arrears.

One intriguing consequence of the new grant (JSS) is that it is now more expensive for employers to retain three employees each working one-third of their normal hours than laying off two and retaining the third to work full time.

But at least we have a fairly realistic description of the new support offered. It is now back to the drawing board to figure how best to proceed. Please call if you are undecided which way to proceed. We can help.

What about the self-employed?

Self-employed readers will be pleased to know that if they qualify, government is making two more Self-Employed Income Support Scheme (SEISS) payments. They will cover periods from:

- 1 November 2020 to 31 January 2021: the payment will be based on 20% of average profits up to a maximum pay-out of £1,875.
- 1 February 2021 to 30 April 2021: the amount paid for this quarter will be announced at a later date so changing circumstances can be reflected in the amount offered.

To qualify for these payments, you will need to have been eligible for the previous SEISS grants, are continuing to trade and facing reduced demand for your goods or services.

VAT cuts and deferred payments

As a recognition that the tourism and hospitality sectors will continue to suffer disruption in the coming months, the measures already in place to reduce VAT on this sectors’ services from 20% to just 5% is to be extended. The temporary reduction was due to end 31st January 2021 but will now close 31 March 2021.

In another welcome move, the aching cashflows of many VAT registered businesses will be eased by an offer to spread the repayment of any VAT bills that were deferred during the period 20 March to 30 June 2020. Originally, this deferred VAT was due to be settled on or before 31 March 2021. The Chancellor has now agreed that this payment can be made by 11 interest-free instalments during the 2021-22 financial year.

Deferring self-assessment tax

Self-assessment taxpayers that were able to defer tax due 31 July 2020, until 31 January 2021, will benefit from an additional 12-month extension. The extension will also apply to any other tax due 31 January 2021.

In both cases the amounts due 31 January 2021 will now need to be settled by 31 January 2022.

Pay as You Grow – defer loan

Businesses that have taken out a Bounce Back Loan to ease cashflow will be delighted by changes to the terms of these loans to include Pay as You Grow concessions. These include:

- An extension of the term from six to ten years. This will dramatically reduce monthly repayments, and
- New options for interest only repayments for six months and payment holidays.

Coronavirus Business Interruption Loan Scheme lenders can also take advantage of an extension to their loans from a maximum term of six years to ten years.

Additionally, application deadlines for government backed loan schemes are to be extended to 30 November 2020.

Cautious optimism

Many of the concessions offered today are merely pushing payment deadlines into the future, they do not in most cases reduce costs, but are a welcome easing of cashflow considerations.

Also, business owners who have previously been able to retain staff by accessing the furlough scheme are now aware that the CJRS will not be extended. The more limited JSS scheme is welcome but does not offer the same level of support. Firms will have to give serious consideration to their staffing needs and in many cases make difficult choices.

We face a challenging winter. Continuing COVID disruption, a possible no-deal Brexit with all its supply-chain risks and a possibly deepening recession give little comfort.

We would like to remind readers that we are here to help. Pick up the phone if you need assistance with marshalling your business resources. You may also like more information regarding any of the Chancellor’s announcements outlined above?

Best regards and stay well…