Covid-19 measures: to May 2020 update

Following the range of updates over the last several weeks, we have now rounded up the latest information from the government on specific schemes where additional detail was released. This update covers measures through to 22 May.

Coronavirus Job Retention Scheme (CJRS)

On 12 May the Chancellor announced the extension of the CJRS by four months to the end of October:

- Furloughed workers will continue to receive 80% of their current salary, up to current maximum of £2,500.
- From the start of August, furloughed workers will be able to return to work part-time, with employers being asked to pay a percentage towards the salaries of their furloughed staff.
- Also from the start of August, employers will have to start meeting part of the cost of the scheme overall.
- More details and information around the implementation of the August changes will be made available by the end of May.

The next announcement at the end of the month will be a crucial one, as it will force many employers to decide whether to continue furlough after the end of July – and start to meet some of the furlough costs themselves – or to start the 45-day consultation period required for proposed collective redundancies of 100 or more employees.

The current expectation is that the government payment will fall to 60%. It will not be an easy decision, as underlined by the March to April jump of 69% in unemployment-related benefit claims to 2.1 million.

The latest figures show CJRS has resulted in:

- 8 million employees having been furloughed; and
- Total payments made amounting to £11.1bn.

The Office for Budget Responsibility's latest projections put the gross cost of the scheme at £14bn a month, although once income tax and NICs are considered the net cost is £10bn – £11bn.

Self-employed Income Support Scheme (SEISS)

The scheme is now live and 2 million claims had been submitted by 18 May with a total value of £6.1bn (an average of about £3,000 each). The Chancellor continues to be lobbied about small company directors who draw dividends as their remuneration rather than salary, but nothing has emerged except that the Treasury is still thinking about it.

Bounce Back Loan Scheme (BBLS)

The scheme opened for business at 9.00 am on 4 May. As at close of business on18 May:

- The number of approved loans had risen to 464,393; and
- The total advanced had reached £14.18bn, an average loan of about £30,500.

The number of accredited lenders has remained unchanged at 14.

Coronavirus Business Interruption Loan Scheme (CBILS)

The number of accredited lenders has grown to 76.

As at close of business on 18 May:

- The number of approved loans had risen to 40,564; and
- The total advanced had reached £7.25bn an, average loan of about £178,700.

Coronavirus Large Business Interruption Loan Scheme (CLBILS)

On 19 May the Chancellor announced that the upper limit for loans under this scheme would be raised from £50m to £200m from 26 May. Any company receiving a CLBILS will be asked to agree to not pay dividends and to "exercise restraint on senior pay", which the Treasury says includes a ban on cash bonuses, except where they were previously agreed.

As at close of business on 18 May (i.e. before the increase announcement):

- The number of approved loans was 85; and
- The total advanced had reached £0.59bn, an average loan of about £6.86m.

The scheme currently has 12 approved lenders.

Business rates revaluation

The Ministry of Housing, Communities & Local Government (MHCLG) has announced that the business rates revaluation for England and Wales, which was due to take effect from April 2021, has been postponed. This would have used a valuation date for open market rentals of 1 April 2019 (as opposed to the current 1 April 2015).

It is unclear how long the postponement will last. The MHCLG had been aiming to reduce the revaluation cycle to three-yearly and there was legislation to this effect going through parliament. Given the great difficulty surrounding commercial property valuations at present – especially for the most controversial sector, retail – it is possible that postponement will be for at least a couple of years.

Deferred Self Assessment Payment on Account

On 15 May HMRC issued guidance on how to defer the second payment on account for 2019/20, due on 31 July 2020. This confirmed that the option is available for individuals:

- registered in the UK for self assessment; and
- finding it difficult to make their second payment on account by 31 July 2020 due to the impact of Covid-19.

HMRC restated that it will not charge interest or penalties on any amount of the deferred payment on account, provided it is paid on or before 31 January 2021. There is no requirement to notify HMRC of the intention to defer.

Mortgage holidays

In March the government introduced legislation which prevented residential mortgage lenders starting repossession proceedings if repayments were not made. This protection was scheduled to end on 30 June.

According to the Treasury over 1.8m mortgage payment holidays were taken up as a result. On 22 May the FCA published proposals which would extend the holiday period to 31 October, coinciding with the current end date for the CJRS. Lenders have until 26 May to respond to the FCA's proposed measures, with guidance expected to be finalised 'shortly afterwards'.

Reimbursement of work-at-home expenses

The government announced on 13 May that there will be a temporary tax and NIC exemption where a payment is made by an employer to reimburse an employee for the cost of equipment purchased to enable home working.

A statutory instrument brings the exemption into being from 11 June. However, in a parliamentary statement the Treasury said that "HMRC will exercise its collection and management discretion and will not collect tax and NICs due on any reimbursed payments made from 16 March 2020".

Insurance

On 14 May the Financial Conduct Authority (FCA) issued a statement setting out measures for insurance companies which took effect from 18 May. These included requiring insurers to consider:

- Reassessing the risk profile of customers. The FCA notes this may have changed because of Covid-19 creating scope to offer customers “materially lower premiums”.
- Whether there are other products they can offer which would better meet the customer’s needs and revise the cover accordingly, e.g. a move from fully comprehensive cover to third party fire and theft.
- Waiving cancellation and other fees associated with adjusting customers’ policies.
- Granting customers a payment deferral unless it is obviously not in their interests to do so. That payment deferral should be for a period of between one to three months and be available to any customers up to 18 August 2020.

Business Interruption Insurance

On 15 May the FCA issued a statement setting out how it was “engaging with policyholders and insurance intermediaries” on the contentious issue of business interruption insurance. The regulator invited both groups to provide information ahead of its planned court action, aimed at obtaining some clarification on policy wordings.

Future Fund

The Future Fund was opened for business on 20 May. It is designed to provide £250m in matching finance for innovative and high growth businesses which cannot access other schemes. The government has said it would amend the rules of the Enterprise Investment Scheme to protect Future Fund investors from losing relief on their previous investments made *prior* to any investment through the Future Fund. The Fund will operate in partnership with the British Business Bank.

Office for Budget Responsibility (OBR)

The OBR issued updated coronavirus cost projections on 14 May. These do not take account of the CJRS extension, but nevertheless put the cost of government measures in 2020/21 at £123.2bn. The OBR has made no amendments to its main coronavirus reference scenario, issued on 14 April, which assumed a V-shaped recovery. Since then there has been a growing consensus that the recovery will not be as rapid a bounce back as some had hoped. Leaked papers from the Treasury show that it is much less optimistic than the OBR.

Covid-19 recovery strategy

Following the Prime Minister’s presentation on Sunday 10 May, a raft of material was issued on 11 May setting out the government’s plans and further guidance. This included a 60-page recovery strategy document and eight guides for employers, employees and the self-employed on safe working practices.