

## COVID-19 BUSINESS SUPPORT

On Friday 29 May the Chancellor, Rishi Sunak, presented further details of how several key schemes will develop over the coming weeks and months. The Chancellor outlined the plan for the scaling back of the government's furlough scheme over the coming months through to the end of October. Businesses will begin to shoulder costs on a tapered basis from August. Changes to the self-employed scheme were also announced.

Here is a summary of the key developments, including up to date statistics on the range of loan schemes available.

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### Coronavirus Job Retention Scheme (CJRS)

In an [announcement](#) on 29 May the Chancellor provided more details of the extension of the CJRS to the end of October. After some apparently managed leaking to the media, the tightening of the rules was not as harsh as expected. The key points are:

#### **Closure dates**

Payments to employees under the CJRS will continue until the end of 31 October 2020 at the 80% earnings level, subject to a £2,500 a month maximum. However, the scheme will close to *new entrants* from 30 June. From then on, employers will only be able to furlough employees that they have already furloughed for a full three-week period before 30 June.

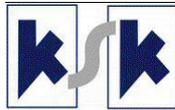
A consequence of this end of June deadline is that the final date by which an employer can furlough an employee for the first time will be 10 June, in order for the current three week furlough period to be completed by 30 June.

Employers will have until 31 July to make any claims in respect of the period to 30 June. From a practical point of view, employers will need to consider quickly whether any existing employees who have not been furloughed, possibly currently working part time, should now be furloughed ahead of the new flexible furlough rules (see below) starting on 1 July.

#### **Flexible furlough**

Currently a furloughed employee cannot do *any* work for their employer or associated organisation. From 1 July, a month earlier than previously announced, this absolute requirement will be relaxed to allow employers to bring back furloughed employees on a part time basis. The furlough scheme will then cover only the hours for which the employee is not working, with the employer meeting full payment for the hours worked.

Further guidance on the operation of the flexible option, and how employer claims should be calculated, will be published on 12 June. In the interim a [factsheet](#) with basic information has been issued.



## Employer costs

The government involvement in meeting furlough costs is to be phased down on the following timeline:

- **For June and July** the government will continue to meet the full cost of 80% earnings (maximum £2,500) plus associated employer National Insurance (NI) and employer automatic enrolment pension contributions.
- **In August** the government will meet the cost of 80% earnings (maximum £2,500), but the employer will be responsible for NI and pension contributions. Based on the current average monthly equivalent CJRS wage claim of £1,368, the government calculates the switch will cost employers £69 per month per employee.
- **In September** the government will meet the cost of 70% earnings (maximum £2,187.50), with the employer responsible for covering the other 10% of earnings (maximum £312.50) as well as NI and pension contributions. Based on the same average monthly equivalent CJRS wage, the government calculates this will cost employers £207 per month, per employee.
- **In October** the government will meet the cost of 60% earnings (maximum £1,875), with the employer responsible for covering the other 20% of earnings (maximum £625) as well as NI and pension contributions. Based on the same average monthly equivalent CJRS wage, the government calculates this will cost employers £345 per month, per employee.
- **In November**, the scheme ends.

Consideration will need to be given now on whether to begin the 45-day redundancy consultation process ahead of the CJRS starting to move onto employers from 1 August.

### Summary timeline of CJRS changes

	July	August	September	October
<b>Government wage contribution</b>	80% up to £2,500	80% up to £2,500	70% up to £2,187.50	60% up to £1,875
<b>Employer wage contribution</b>	-	-	10% up to £312.50	20% up to £625
<b>Employer's NI and pension contributions</b>	Government pays	Employer pays	Employer pays	Employer pays

The latest figures (to 24 May) show why the government is seeking to wind down the CJRS and has emphasised 31 October is the end date:

- 1 million employers have made claims;
- 8.4 million employees have been furloughed; and
- Total claims made so far amount to £15 billion.

The Office for Budget Responsibility's latest projections put the current gross cost of the scheme at £14 billion a month, although once income tax and NICs are considered, the net cost is £10 -£11 billion. The Institute for Fiscal Studies thinks the CJRS and its self-employed counterpart could end up costing £100 billion in total.

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## Self-employed Income Support Scheme (SEISS)

The Chancellor also [announced](#) changes to the SEISS on 29 May, to some degree mirroring the amendments to the CJRS:

### **Closure date**

The SEISS will now run for another three months. Applications for the ‘First Grant’ of up to £7,500 must be made by close on 13 July 2020. For the ‘Second and Final Grant’, applications will open “in August”. There is no automatic second payment to those who claimed the first grant. Eligibility criteria will remain unchanged and it will be possible to claim only for the second grant.

Further guidance will be published on 12 June. In the interim a [factsheet](#) with basic information has been issued.

### **Amount of grant**

In line with the reduction in the CJRS, the second grant payment will be limited to 70% of average monthly profits, subject to a maximum payment covering three months of £6,570.

The latest data (as at 24 May) show that:

- 2.3 million SEISS claims have been made, and
- claims are worth a total of £6.8 billion.

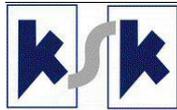
The issue of shareholder directors who draw remuneration via dividends remains the subject of much lobbying and was not addressed in the latest announcement from the Chancellor.

## Loan Schemes

The latest lending statistics (as at 24 May) for the main loan schemes are:

<b>Scheme</b>	<b>Value of facilities approved</b>	<b>Number of facilities approved</b>	<b>Total number of applications</b>	<b>Average loan</b>
Bounce Back Loan Scheme ( <a href="#">BBLs</a> )	£18.94bn	606,069	769,137	£31,251
Coronavirus Business Interruption Loan Scheme ( <a href="#">CBILs</a> )	£8.15bn	43,045	84,607	£189,337
Coronavirus Large Business Interruption Loan Scheme ( <a href="#">CLBILs</a> )	£0.82bn	154	502	£5,324,675

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## Government borrowing

Government borrowing figures for April [released](#) by the Office for National Statistics have underlined the impact of the Covid-19 pandemic on government finances. The government is provisionally estimated to have borrowed £62.1 billion in April, the first month of the 2020/21 financial year.

At the time of the March 2020 Budget the Office for Budget Responsibility (OBR) had projected borrowing for the entire year at £54.8 billion. Following publication of the data, the Institute for Fiscal Studies [said](#) that ‘Borrowing of around £300 billion, or 15% of GDP... certainly seems plausible, a level which has not been reached since the Second World War.’ The extension of the CJRS and SEISS now mean that number could approach £350 billion.

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## Mortgage holidays

On 22 May the Financial Conduct Authority (FCA) published [proposals](#) to extend the availability of mortgage payment holidays by a further three months to 31 October. Consultation on the proposals ended on 26 May and a final announcement is now due.

The importance of mortgage holidays can be seen in recent figures [released](#) by UK Finance, the finance lobby group. Their data showed that as at 20 May 1.82 million mortgage holidays had been granted – equivalent to about one in six mortgages. The average monthly payment deferred was £755, of which £260 represented deferred interest, according to UK Finance.

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