

## GOVERNMENTAL SUPPORT DURING CORONAVIRUS – UPDATE NO.2

After hinting for the last week that the government would make an announcement in relation to employee support, the Chancellor unveiled a further package of measures on 20 March 2020.

This note summarises the announcement and key aspects from the guidance and commentary we have seen on this so far.

### **Grant for 80% of salary costs: Coronavirus Job Retention Scheme**

The original content has been superseded by later announcements – see our subsequent updates on this topic posted in our Coronavirus Hub.

### **Deferment of due date for VAT payments**

As a specific and targeted extension of the existing time-to-pay facility, HMRC has introduced an automatic deferral of VAT payments which would otherwise have fallen due to be paid in the period from 20 March 2020 to 30 June 2020.

No application to rely on this VAT deferment facility is needed but do remember to cancel direct debits if that is how your VAT payments are made.. Businesses who choose to defer making these payments will be expected to pay any liabilities that have accumulated during the deferral period on or before 5 April 2021.

VAT refunds and reclaims will be paid by the government as normal.

HMRC has made no comment on whether late payment interest will accrue during this period. If it does, the current rate of interest applicable is 3.25% although, with the recent reduction in the Bank of England base rate, it is expected that this will also reduce.

The deferment period given above should cover the VAT due for quarterly VAT payers for the quarter ended 29 February 2020 through to the quarter ended 30 April 2020. For monthly VAT paying businesses, they should check the payment schedule issued to them by HMRC to identify which payments will fall within the automatic deferment period.

Deferment similar to this was available before this specific announcement through the HMRC time-to-pay facility.

However, as waiting times were stretching to up to two hours before being able to speak to a person at the HMRC call centre, this measure should take some of the strain off this facility.

### **Deferment of due date for Income Tax payments due from self-employed individuals**

The chancellor also announced a deferral of tax payments from the self-employed. Payments of income tax and class 2 and 4 national insurance due on 31 July 2020 under self-assessment will be deferred to 31 January 2021.

The guidance on this aspect of the announcements states, “No penalties or interest for late payment will be charged in the deferral period” so we are assuming that no interest will be due in respect of this deferred payment whatsoever and not just a delay in it being charged to after the deferment period but this is not clear. If interest is charged, it will be at a rate of 3.25%.

In the details released so far, this seems to be a facility available only to individuals with self-employed entries on their tax returns and not a deferment of the July payment on account for all individuals (i.e. buy-to-let landlords) unless they also have self-employment income. Clarification is needed in this area.

### **Extension of interest-free period for Coronavirus Business Interruption Loan Scheme**

The details of the loan scheme, providing loans of up to £5 million with a guarantee from government as security for the lending banks, were covered in our earlier updates.

The changes the chancellor announced as part of this package of measures are:

- The turnover threshold for companies eligible to apply for the loan scheme has increased from £41 million to £45 million.
- The commencement date has been brought forward by a week so it is open for applications as of today, Monday 23 March.
- The interest-free period has extended from six months to 12 months.

More details have been updated on the British Business Bank website at [www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils](http://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils).