



COVID-19 Business Support Guide

This publication outlines government measures introduced, at the current time, to help support businesses. With the ever changing situation and regular government announcements, this document will continue to be “live” and we will provide regular updates as required.

Updates in this edition include:

- Further guidance in respect of the Coronavirus Job Retention Scheme;
- A change in HMRC guidance which can assist with the acceleration of Corporation Tax refunds; and
- Expansion of the Future Fund.

A. Employment and Income Protection

CORONAVIRUS JOB RETENTION SCHEME (CJRS)

On Friday 29 May 2020, the Chancellor announced the much anticipated changes to the furlough scheme rules, with flexibility for part time working from 1 July 2020 and the gradual requirement for employers to contribute to the cost of furloughed staff. These changes are designed to support businesses and employers as part of the government’s policy to commence the re-opening of the economy.

Existing Rules

At present, an employer can furlough employees for a minimum period of three weeks, and the employee must agree to being furloughed. The main condition for an employee to be furloughed is that they must have been on the payroll, and reported to HM Revenue & Customs (“HMRC”) via Real Time Reporting, on or before 19 March 2020 – in practice, this was often the February payroll for monthly paid employees.

During a period of furlough, the employee cannot undertake any work and it is important that steps have been taken by the employer to ensure that this is observed. As a minimum, the employer should have a signed agreement from the employee agreeing for them to be furloughed and confirming that they will not carry out any work. This record must be kept for a minimum of six years. The only exceptions to this point relates to directors, who can carry out their statutory duties whilst furloughed, and employees can undergo training, as long as this does not generate revenue for the employer (and employees must be paid

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the minimum wage if undertaking training). In addition, assuming permitted under the employment contract, employees can work elsewhere whilst furloughed, either in a voluntary or paid role, assuming this does generate revenue for the employer or an associated employer.

Subject to the above, all types of employee are eligible to be furloughed, including full time, part time, zero hours and agency workers. In addition, the government confirmed in a series of clarifications to the rules that domestic employees, such as nannies, salaried members of Limited Liability Partnerships, salaried directors and employees who have been subject to a Transfer of Undertakings (Protection of Employment) Regulations (“TUPE”) since the cut-off date of 19 March 2020, but were on a payroll and met the above conditions, can all be furloughed.

HMRC will reimburse 80% of furloughed employees wage costs up to a limit of £2,500 per month, plus the associated employer’s National Insurance Contributions and the minimum statutory employer’s Auto Enrolment pension contributions (the employer continues to bear the cost of the Apprenticeship Levy if applicable). Wage costs are defined as actual monthly salary at 19 March 2020 (or 28 February 2020 if that date has already been used as the calculation for the first claim). For employees with variable pay, wage costs are determined as the higher of their earnings for the same pay period in the previous year or their average earnings in the 2019/2020 tax year (which includes past overtime). Employers have the option (but not a requirement) to fund the additional 20%.

In all cases, the definition of ‘wage costs’ excludes fees, commissions (assuming these were not compulsory) and bonuses. The Treasury issued further guidance as to what can and cannot be included in the calculations within the “employee’s reference salary” and confirmed that no account can be taken of anything “which is not regular salary or wages”. Therefore, only amounts that are not conditional on any matter, contractual and cannot vary due to the performance of the business or any contribution or performance of an employee, can be included. This has proved to be the most difficult area to apply in practice. It is seen as imperative that the basis for such calculations are documented to be able to demonstrate to HMRC how the calculations were made at the time and that best endeavours were used.

From a process perspective, assuming the employment contract does not have a lay-off clause, which is only normal in certain manufacturing industries with peaks and troughs, the business needs to have the employees’ consent to send them home on reduced pay, as the furlough is effectively a variance of the contract. Given the extreme situation, it is thought that a pragmatic approach to varying contracts will be accepted by employees (and the courts in due course) as it is difficult to follow the normal rules relating to the time to consult on variations.

There are various rules for employees on maternity leave, sick pay and long term absences. Whilst statutory payments, such as maternity, paternity or adoption pay cannot be claimed under the job retention scheme, as they are largely reclaimed through the payroll in any case, contractual enhanced payments, can be included in the claim if the employee is furloughed whilst on such leave. It is noted that employers can require employees to take holiday when in a period of furlough, assuming the employer gives the employee sufficient notice and the employment contract does not state otherwise. An important point to note is that where employees take holiday (or have the benefit of bank holidays) they must be paid their normal salary for these days. Hence, for virtually all employees whose pay is not being topped up to 100%, they will need to be paid an additional amount for the four bank holidays in April and May. The alternative is for the employee to accrue these days as holiday to be taken in the future.

If the employer had already made some employees redundant post 28 February 2020, due to COVID-19, and prior to the CJRS being announced (on 20 March 2020), these employees can be reinstated and furloughed. Payroll records will need to be amended to reflect this change.

Changes to Rules with Effect from 1 July 2020

With effect from 1 July 2020, the scheme will only be open to those who have already used the scheme in respect of furloughed employees. Employers will be able to bring employees back to work on a flexible part time basis and claim for the period when the employee is not working; the amount of work carried out is not prescribed by the new rules and hence is at the discretion of the employer. It is important that any new terms are agreed by the employer with the employee and a written agreement is kept of the new furlough arrangements, although there is no requirement for the employee to provide a written response. Any work carried out by the employee must be paid at their normal rate of pay.

Employees will only be eligible for the flexi working if they have already been furloughed by 1 July 2020 and for a minimum of three weeks – hence an employee must have been put on a minimum three week period of furlough by 10 June 2020. The main exception to this rule is employees who are returning from statutory leave, such as maternity leave or paternity leave, and who return to work in the coming months after a long period of absence; such employees will be permitted to be furloughed. There are also separate rules for adoption leave, shared parental leave and parental bereavement leave.

Employers must have made their claims for all periods up to 30 June 2020 by 31 July 2020. Going forwards, claims can be for a period of one week upwards, except where the period the business is claiming for includes either the first or last day of the calendar month and the business has already claimed for the period ending immediately before it. Claims relating to July cannot be made until 1 July. The maximum period of a claim will be one month. HMRC has also stated that the number of employees that an employer can claim for in any claim period cannot exceed the maximum number they have claimed for under any previous claim using the Existing Rules scheme. This could necessitate some careful planning to ensure the claim is not restricted by reviewing the work pattern of returning part time employees and the claim period.

Flexible working can continue to be claimed until the scheme ends on 31 October 2020. However, the following changes should be noted:

From 1 August 2020 – 80% of the wage cost only can be claimed, up to £2,500

Although there are no changes to the rules, employers will continue to be able to claim 80% of the furloughed wage cost, up to the maximum of £2,500 – however, the associated employer's National Insurance and employer's Auto Enrolment pension costs will need to be borne by the employer.

From 1 September 2020 – Claim limited to 70% of the wage cost

The government will continue to contribute to the furloughed wage cost, but this is limited to 70% of the wage cost, with the employer contributing (a minimum) of 10%. Hence, the claim per employee will be capped at £2,187.50, with the employer contributing a maximum of £312.50. All the associated employer's National Insurance and employer's Auto Enrolment pension costs will need to be borne by the employer.

From 1 October 2020 – Claim limited to 60% of the wage cost

The government will continue to contribute to the furloughed wage cost, but this is limited to 60% of the wage cost, with the employer contributing (a minimum) of 20%. Hence, the claim per employee will be capped at £1,875.00, with the employer contributing a maximum of £625.00. All the associated employer's National Insurance and employer's Auto Enrolment pension costs will need to be borne by the employer.

In all cases, the cap will be proportional to the hours not worked in any given claim period. An overview of the calculations is given below and there can be no doubt that these are complex and can produce some unexpected figures.

The CJRS will end on 31 October 2020.

Flexible Working Calculations

Where a business has employees that are flexibly furloughed, it will need to work out their usual hours and record the actual hours they work as well as their furloughed hours for each claim period. An employee's working pattern does not have to match their pay period e.g. an employee may be contracted to work 40 hours per week but paid monthly.

A "simple" example of how to calculate the amount that can be claimed under the flexi-furlough rules, as shown on HMRC's website, is as follows;

Employee has worked for F Ltd since 2016, working 40 hours a week for a monthly salary of £3,000, paid calendar monthly. The employee was furloughed on 25 April 2020 and from 1 July 2020 is asked to return to

work half-days. Pay has not been topped up and there is no bonus, commission or other additional pay. The employee is flexibly furloughed from 1 July, so F Ltd works out the usual hours. The employee has fixed hours and a salary that does not vary by the number of hours worked so the calculation is:

The number of hours the employee was contracted for at the end of the last pay period ending on or before 19 March 2020. This was 40 hours per week.

Divide by the number of calendar days in the repeating working pattern. It is a weekly pattern, so divide by 7

Multiply by the number of days in the pay period. 31 days in July, so multiply by 31.

Result is 177.14, rounded up to 178.

Next, F Ltd calculates the number of working hours and furloughed hours. The employee will work 23 half days, each of 4 hours, so working hours are 92. Furlough hours are calculated as:

Number of usual hours, 178

Subtract the number of actual hours worked, so subtract 92 = 86 furlough hours.

F Ltd calculates the maximum wage amount. As F Ltd will claim for the pay period which is a whole month, the maximum wage amount is £2,500.

F Ltd then works out the 80% of the usual wage.

The employee is furloughed throughout July so there are 31 furlough days.

The employee is on fixed pay, so the calculation is:

*Start with the employee's wages from their last pay period before 19 March, £3,000.
Claim is for a full pay period.*

Multiply by 80% = £2,400.

Furlough pay for flexibly furloughed employee is the lesser of either:

*80% of usual wages - £2,400
the maximum wage amount - £2,500
Here F Ltd uses £2,400.*

Multiply by employee's furloughed hours, 86

Divide by the employee's usual hours, 178 = £1,159.55.

As the claim is for July, F Ltd can claim a wage grant for the whole amount of the minimum furlough pay. The example by HMRC then continues for the calculation of the employer's NIC and employer's Auto enrolment pension contributions.

Given that the scenario at the start is very simple, this illustrates the complexities that are to be faced.

In addition to the above, the employee will need to be paid at their normal pay rate for the 50% of the time that they are working, which equates to a gross salary of £1,500. Hence, with no top up, the gross salary of this employee is £2,659.55 for July. It is not, as may have been anticipated, £1,500 plus £2,400 multiplied by 50% for the non working element, which would equal £2,700.

Claim Process

Since its launch on 20 April 2020, the online portal has been relatively easy to use and claims, with very few exceptions, have been paid to the designated bank account within six working days.

In preparation to make a claim, employers, or their payroll agents, must have the following information:

- employer's name;
- employer's PAYE reference number;
- the employer's Corporation Tax reference if a corporate or the individual's Unique Tax Reference (UTR);
- number of employees furloughed;
- the name and National Insurance number of each employee for whom a claim is being made (up to 100 employees). A file must be uploaded containing these details where there are more than 100 employees;
- claim period (start and end date);
- total amount being claimed, split between wages, employer's National Insurance and employer's pension costs;
- UK bank account details into which the claim should be paid (sort code and account number only);
- employer's address (which needs to match the records held by HMRC); and
- contact name and telephone number.

The main difficulty in preparing to make a claim relates to the underlying calculations and, as illustrated above, this is certainly not going to get an easier.

For example, under the current scheme of full furlough, the employer's National Insurance is calculated by reference to the number of days in the month – when making the claim, reference to the HMRC guidance and online calculator is highly recommended. In addition, care needs to be taken to ensure the employer's national insurance is not claimed, where it is covered by the Employment Allowance, and hence is not a cost being borne by the employer.

More recently HMRC has announced that if employers realise that they have over claimed, this can be amended as part of the next claim. Conversely, if you have under claimed, you can call HMRC to amend your claim, although HMRC state this will be subject to additional checks.

During the claim process, there are various declarations required, the main ones being:

- all employees have been paid their wages before the claim was submitted or will be paid in the next payroll
- you are claiming costs of employing furloughed employees arising from the health, social and economic emergency resulting from coronavirus
- the furloughed employee cannot do any work for the employer whilst they are on leave of absence (subject to the exceptions above such as training)

Hence, it is important to ensure these rules are adhered to and to document at the time of the claim the basis for the decision and the circumstances that have given rise to the need to furlough. HMRC has publicly stated that it will consider criminal prosecution, most likely under the Criminal Finances Act 2017 or the Fraud Act 2006, should businesses abuse or fraudulently enter into the CJRS. Businesses should therefore ensure that they have controls in place to prevent the abuse of the furlough system as part of their assessment of this scheme. It is anticipated that HMRC will announce shortly a 30 day period window for employers to admit any mistakes to HMRC.

Whilst claims have been paid with very few queries, HMRC has stated that it may retrospectively audit claims to confirm their validity. The guidance indicates that the supporting documentation should be kept for a period of 6 years.

STATUTORY SICK PAY REBATE SCHEME

Employers with fewer than 250 employees at 28 February 2020 can make a claim for a rebate for Statutory Sick Pay (“SSP”) paid for COVID-19 related absences. The online portal opened on 26 May 2020 and operates in a very similar way to the Coronavirus Job Retention Scheme portal (‘CJRS’). The same employer details are required as for a claim made under the CJRS, although the individual names and National Insurance numbers are not required when the claim is made. However, you must have paid the SSP to your employees before the claim is made.

An absence counts as COVID-19 related if an employee is unable to work for one of the following reasons:

- they have Coronavirus symptoms;
- they were self-isolating because someone in their household has coronavirus symptoms; or
- they were shielding and have a letter from with the NHS or their GP telling them to stay at home for at least 12 weeks.

On the basis that one of these reasons has occurred, a claim can be made, for a minimum period of four days up to a maximum of two weeks’ SSP, per employee and is capped at the maximum weekly rate of SSP of £95.85 per week (£94.25 per week prior to 6 April 2020). There are no waiting days unlike normal SSP. Claims can be made for a period of sickness starting on or after 13 March 2020, where the employee either had the symptoms or was self-isolating, or from 16 April where the employee was shielding.

The following records should be maintained to support the claim:

- the dates on which the employee was absent from work;
- which of those dates were qualifying dates;
- the reason for their absence, whether they had symptoms, were self-isolating or shielding;
- the National Insurance number of the employees in respect of whom a claim is being made; and
- if you can, employees should be asked to provide an isolation note from NHS 111 if they are self-isolating or a copy of their shielding letter.

The claim should be repaid within six working days from the date it is submitted.

The records should be kept for a minimum of three years from the date the rebate was received.

CAUTION WHEN WAIVING REMUNERATION OR REPAYING BONUSES

The Chartered Institute of Tax has warned that directors and employees should be very careful if they intend to waive salaries or bonus payments during the pandemic. Due to the operation of salary sacrifice legislation, such individuals could become liable for tax payments on income that they never received. Any businesses considering such measures to improve business liquidity should seek professional advice.

SELF-EMPLOYMENT INCOME SUPPORT SCHEME

The support takes the form of a taxable grant for those who were trading as self-employed in the last financial year, remain self-employed now and are planning to continue to be self-employed and whose business has been adversely affected by coronavirus. The grants are only available to the self-employed with trading profits of up to £50,000 per year. The grant will only be available to those who receive the majority of their income through self-employment.

Examples of adversely affected business include situations in which the self-employed person has had to scale down or temporarily stop trading because of supply chain interruption, having fewer or no customers or clients or having staff who are unable to come to work, or the self-employed person is unable to work because they:

- are shielding;
- are self-isolating;

- are on sick leave because of Coronavirus; or
- have caring responsibilities because of Coronavirus.

The first payments under the scheme are due to be made this month (June 2020). A claim for the first grant must be made on or before 13 July 2020 by the self-employed person, and not by a tax agent. An eligibility checker is available on the HMRC website.

The first grant value will be up to 80% of the self-employed person's average profits for up to the last 3 years (where multiple years of accounts are available) covering 3 months' worth of profits and capped at £7,500.

A second and final grant worth 70% of average monthly trading profits, will be paid out in a single instalment in August 2020 covering a further 3 months' worth of profits, and capped at £6,570 in total.

B. Rates Relief

BUSINESS RATES SUPPORT

A business rates holiday for the 2020 to 2021 tax year will be available to business rate payers based in England that operate in the retail, hospitality and leisure sectors.

Properties that benefit from the relief must be occupied and used wholly or mainly;

- as shops, restaurants, cafes, drinking establishments, cinemas and live music venues;
- for assembly and leisure; or
- as hotels, guest and boarding premises and self-catering accommodation.

These businesses are also eligible for cash grants of £10,000 where a property has a rateable value of up to £15,000, or £25,000 where the business has a property with a rateable value above £15,000 but under £51,000. We are aware of some local authorities accepting the classification of art galleries as being eligible for these reliefs and therefore businesses in this sector should consider contacting their local authority should they require clarity on the applicability of the reliefs.

A similar business rates holiday will also be applied for OFSTED Early Years Foundation Stage Nurseries.

In addition to the above, Small Business Grant Scheme funding in the form of a one-off £10,000 grant will be available from local authorities for businesses that occupy properties and pay little or no business rates due to the availability of small business rate relief, rural rate relief and tapered relief.

There is no action required to access the above reliefs - they will be automatically applied by local authorities.

C. Tax Payment Deferrals

VAT DEFERRAL

Whilst there has not been a suspension of VAT and VAT should continue to be charged by businesses to their customers and paid to their suppliers (where applicable), there has been a deferral of the VAT liability on current returns. This deferral applies to all businesses with a UK VAT registration, so includes non-UK resident companies.

Any VAT payments due on your current VAT returns (liabilities from now until the end of June) will be deferred until the end of the 2020/21 financial year, 31 March 2021.

VAT returns will still need to be submitted to HMRC as usual. For those in a VAT refund situation, refunds will continue to be received as currently. HMRC has advised that businesses paying VAT by direct debit that wish to benefit from deferral should cancel their direct debit.

TIME TO PAY SERVICE

HMRC has set up a dedicated COVID-19 helpline (0800 024 1222) as a part of its Time to Pay Service ('TTPS') for businesses looking to defer their currently outstanding tax liabilities. It is envisaged that payment will be made through a series of instalments over a period of up to 12 months. This covers all taxes collected by HMRC.

Applications for deferral under TTPS will be assessed on a case-by-case basis. There is specific evidence that will need to be provided by those wishing to apply but it is important to note that HMRC expect that other funding sources will have been considered and explored before they are approached. Full detail will follow, with the key requirement being substantiating that the inability to pay has been directly caused by the pandemic – other supporting documents that will need presenting will likely to be similar to those for TTPS applications pre-Coronavirus.

INCOME TAX DEFERRAL

For those that are subject to tax through self-assessment, any payment on account due on 31 July 2020 has been deferred until 31 January 2021.

Again, this deferral is automatic with no applications or notifications to HMRC required. HMRC has confirmed no interest or penalties for late payment during the deferral period will apply.

ACCELERATION OF CORPORATION TAX LOSS CARRY BACK

Companies with a loss making Accounting Period ("AP2") following a profit making Accounting Period ("AP1"), are able to utilise tax losses arising in AP2 by carrying them back and offsetting them against the profits of AP1, allowing for a refund of Corporation Tax paid in respect of AP1.

Normally, it is necessary for both the accounts and tax return for AP2 to be completed, before a loss carry back claim can be made, which typically will not be until a significant amount of time after the Corporation Tax in respect of AP1 has been paid (whether this is under instalment payments or paid 9 months and 1 day after the accounting period end).

However, HMRC has recently updated its guidance, allowing for loss carry back claims to be made in respect of anticipated losses arising in a second accounting period (AP2) which has not even finished yet. Prior to this change in stance by HMRC, accelerating loss carry back relief would have been more convoluted and often required a change to the company's accounting period.

This means that normally profitable companies, which are anticipating to make losses in 2020 due to the unprecedented impact of COVID-19, may be in a position to reduce their tax 2019 Corporation tax bills, by accelerating the utilisation of their expected losses 2020 (AP2) losses. Accelerated claims will need to be supported by management accounts and forecasts, to substantiate the anticipated losses.

This could mean a cash refund in respect of 2019 tax already paid, or a reduction in 2019 tax due where it has not been paid yet – providing a valuable cash flow advantage in these challenging and uncertain times.

D. Funding

BUSINESS INTERRUPTION LOAN SCHEME

Under the Coronavirus Business Interruption Loan Scheme ('CBILS'), qualifying businesses can obtain loans of up to £5 million for a period of up to 6 years with the first 12 months being interest free (covered by the government together with any lender-levied fees).

The loans are available to Small and Medium-sized enterprises (businesses with a turnover of no more than £45 million) which generate more than 50% of their turnover from trading activities. The loans will be 80% backed by government guarantees.

The loans are administered by commercial lenders, who should be contacted directly for this. Borrowers will

need to provide a borrowing proposal which, were it not for the current pandemic, would be considered viable by the lender, and for which the lender believes the provision of finance will enable the business to trade out of any short-to-medium term difficulty. We understand that banks will also expect the borrowers to include the financial benefit of all other government COVID-19 reliefs and other sources of funding as part of their application and budgeting process.

The administration of CBILS has been simplified in order that more businesses can benefit. This has introduced the following measures:

- the ability for businesses to self-certify that they have been impacted by COVID-19;
- an automated process for loans of under £30,000;
- banks no longer being able to ask for personal guarantees for facilities below £250,000; and
- recoveries on personal guarantees above £250,000 being capped at 20% of the balance of the loan above £250,000 (with the balance guaranteed by the government).

For businesses with turnover between £45m and £500m, the government will soon be introducing the Coronavirus Large Business Interruption Loan Scheme which will enable banks to make loans of up to £25m.

We can assist you in identifying potential lenders and assist in preparation of your borrowing proposition.

CORPORATE FINANCING FACILITY

To assist larger businesses with financing their outgoings in the short term, the Treasury and the Bank of England are introducing a new COVID-19 Corporate Financing Facility ('CCFF').

CCFF is in place for UK incorporated companies with genuine business operations in, and making "a material contribution to economic activity", in the UK. It will not extend to, very broadly, companies operating in the financial services sector.

The Scheme will operate through businesses issuing Commercial Paper (via a bank), which is unsecured short-term debt with:

- A minimum credit rating of A-3 / P-3 / F-3 / R3 from at least one of Standard & Poor's, Moody's, Fitch and DBRS Morningstar respectively, as at 1 March 2020;
- A maturity period of between one week and one year; and
- With a value of at least £1m (rounded up to closet £0.1m thereafter).

Businesses without a credit rating will need to approach credit rating agencies to obtain one specifically for application under the CCFF.

Eligibility will be assessed on a case-by-case and application forms and supporting documents that will need to be provided were released by the government on 23 March 2020. It is understood that once approval is granted, Commercial Paper can be issued and sold to the Bank the following day.

CCFF is anticipated to be in place for at least 12 months.

THE FUTURE FUND

The government had initially made £250 million funding available to be matched by private investment. To date over £320m of support has been provided by the government under the scheme.

The scheme launched in May 2020 and is delivered in partnership with the British Business Bank.

Under the initial qualification criteria, the investee business must:

- be UK-incorporated and if part of a corporate group, only the parent company is eligible;

- have previously raised at least £250,000 in equity investment from third party investors in the last five years;
- not have any of its shares traded on a regulated market, multilateral trading facility or other listing venue;
- have been incorporated on or before 31 December 2019; and
- have half or more of its employees based in the UK and/or realise half or more of its revenues from UK sales.

On 30 June 2020 the government expanded the eligibility to UK companies that have participated in highly selective accelerator programmes and were required, as part of that programme, to have parent companies outside of the UK.

The key terms of the funding are as follows:

- unsecured loans of between £125,000 and £5 million from the government will be available, with private investors at least matching the government commitment. The minimum loan is therefore £250,000;
- the funding must be used for working capital purposes;
- the loans will mature after a maximum of 36 months and carry a minimum of 8% per annum interest; and
- the loans will automatically convert into equity on the company's next qualifying funding round at a minimum conversion discount of 20% to the price set by that funding round, or at the end of the loan if they are not repaid.

Applications for the fund need to be submitted before the end of September 2020. The scheme is investor led, so applications need to be made by the Lead Investor (who must invest at least £12,500) on behalf of itself, the investee company and any other investors involved in the application. Separate applications are required for each investment seeking to benefit from the Future Fund.

Full advice should be sought by both business owners and prospective investors on commercial and tax consequences of taking this opportunity. It is understood that investments under the Future Funds will not be eligible for the Enterprise Investment Scheme or the Seed Enterprise Investment Scheme.

GRANTS AND LOANS FOR SMALL AND MEDIUM SIZED ENTERPRISES ('SME') FOCUSING ON RESEARCH AND DEVELOPMENT

This scheme provides for £750 million of targeted support for the most R&D intensive SMEs and will be available through Innovate UK's grants and loan scheme.

The £750m of funding is to be allocated to existing Innovate UK customers as follows:

- Acceleration of £200 million of grant and loan payments for the 2,500 existing Innovate UK customers on an opt-in basis;
- An extra £550 million to increase support for existing Innovate UK customers; and
- £175,000 of support will also be offered to around 1,200 firms not currently in receipt of Innovate UK funding.

'BOUNCE BACK LOANS' FOR SMALL BUSINESSES

From 4 May 2020, the government has provided new loan scheme for small businesses where loans of up to £50,000 or 25% of the business turnover (if lower) can be provided with 100% government guarantees and with the government paying the first 12 months of loan interest. After 12 months the interest rate will be 2.5% a year. The loan term is for 6 years, but it can be repaid early with no penalty. No repayments will be due in the first 12 months of the loan term.

The loans are designed to be easy to administer, with a "quick" standard form to be completed by the applicant. Loans are expected to be made within 24 hours of approval.

A business can apply if it is based in the UK, was established before 1 March 2020 and has been negatively

affected by coronavirus pandemic. If the business was classed as a business in difficulty on 31 December 2019 it will need to confirm that is complying with state aid restrictions. Businesses (excluding brokers) in the insurance, reinsurance and banking sectors cannot apply. Also excluded are state-funded primary and secondary schools and public-sector bodies.

No claim can be made if a claim has already been made under the coronavirus business interruption loan scheme, coronavirus large business interruption scheme of COVID-19 corporate financing facility, although a loan of up to £50,000 under these schemes can be transferred to the bounce back loan scheme.

E. Support for Charities

On 8 April 2020, Rishi Sunak announced a range of financial support for the charity sector. This included:

- a UK-wide package of support of £360 million which will be directly allocated by government departments to charities providing key services and supporting vulnerable people during the crisis. This includes hospices, St Johns Ambulance, victims charities, vulnerable children charities and Citizens Advice;
- £370 million for small and medium-sized charities, which will be delivered through a grant to the National Lottery Community Fund for those in England, to support local community charities during the outbreak which are involved in delivering food, essential medicines and providing financial advice; and
- a commitment that the government will match donations to the National Emergencies Trust as part of the BBC's Big Night In fundraiser – pledging a minimum of £20 million.

F. Corporate Administration

INSOLVENCY – PROTECTION FOR DIRECTORS

The Secretary of State for Business, Energy and Industrial Strategy, Alok Sharma, announced a relaxation of insolvency rules to enable greater flexibility for businesses during this period.

Wrongful trading laws, which prevent businesses from continuing to trade when insolvent, will be temporarily suspended with effect from 1 March 2020. In doing so personal liability for directors, who would ordinarily be prosecuted in such circumstances, is removed during the pandemic.

Additional measures include temporarily permitting businesses undergoing restructuring or a financial rescue process to continue to access raw materials and supplies without risk of being put into administration by creditors. Directors would, however, still need to fulfil all other legal obligations and duties.

Such measures should enable businesses to continue paying staff and suppliers with the expectation that some businesses will “bounce back”, whilst for others it may simply delay the inevitable.

STATUTORY ACCOUNTS FILING EXTENSIONS

From 25 March 2020, businesses impacted by COVID-19 can apply for a 3-month extension to the filing of their statutory accounts at Companies House. This extension can be applied where the filing deadline has not yet passed.

The fast track application, which is estimated to take 15 minutes, can be made online at <https://beta.companieshouse.gov.uk/extensions>.

ANNUAL GENERAL MEETINGS

For businesses that are required to hold an annual general meeting, legislation will be introduced that allows for such meetings to be held on-line, by phone or by using proxy voting, in order to ensure that such meetings can still go ahead, whilst social distancing rules are respected.

HOLIDAY CARRY FORWARD INCREASED

Workers who have not been able to take their full annual leave entitlement due to the pandemic, will be able to carry forward up to 4 weeks of unused holiday into the next 2 leave years.

This relaxes the obligation on employers under the Working Time Regulations to ensure that workers take their statutory leave entitlement within a leave year and is designed to ensure that key industries (such as food and healthcare) supporting the national effort against COVID-19 do not find themselves short staffed during this peak demand period.

G. Tax Residence

CORPORATE TAX RESIDENCE

The OECD has issued guidance that where a company is temporarily managed from a territory other than that of its tax residence, due to pandemic travel restrictions, the company residence should not be considered to change.

This position has been supported by HMRC, which has stated that a company should not necessarily become UK tax resident because some board meetings are held in the UK or decisions are made in the UK over a short period of time. HMRC reiterates the importance to take a holistic view of a particular company's management and control.

Similarly, HMRC has also confirmed that a non UK resident company should not have a UK permanent establishment provided UK operations are only in place for a short period of time.

STATUTORY RESIDENCE TEST FOR CORONAVIRUS WORKERS

Temporary changes have been made to the statutory residence test for skilled persons moving to the UK to support the fight against COVID-19. Any time spent in the UK by such workers between 1 March 2020 and 1 June 2020 will not count towards UK tax residence tests. The intention this measure is to protect such workers' non UK earnings from UK income tax.

H. Homeworking Allowances

PURCHASE OF EQUIPMENT FOR HOMEWORKING

HMRC has adjusted its normal income tax rules to reflect the number of employees who have had to be furnished with equipment in order for them to work effectively from their homes.

A temporary tax exemption (effective from 16 March 2020 until 5 April 2021) and National Insurance disregard will ensure that the purchase of home office equipment, where reimbursed by an employer, do not attract these charges. Two conditions must be satisfied:

- a. The equipment must be obtained for the sole purpose of enabling the employee to work from home as a result of the coronavirus.
- b. The provision of the equipment would have been exempt from income tax if it had been provided direct to the employee by or on behalf of the employer.

FLAT RATE HOMEWORKING ALLOWANCE

HMRC allows a Home Working Allowance of £6 per week from 6 April 2020 (£4 per week up to 5 April 2020) to be paid to employees for additional household expenses incurred while working from home, tax-free. If this allowance is not paid by the employer it can be reclaimed directly from HMRC by the employee.

Note, the above reimbursement cannot be claimed if the employee is working from home under a voluntary arrangement, but would apply if the employee is obliged to work from home under government advice.

If claiming directly from HMRC, the claim to the refund can be made by employees in their self-assessment tax return, by post on Form P87, or by phoning HMRC on 0300 200 3300.

Please contact your usual Rawlinson & Hunter contact should you require further information or any assistance with the above, or any of those listed below.

This publication and all other recent Rawlinson & Hunter LLP updates, including technical support on COVID-19 related initiatives, please see the technical updates section on our website [here](#).

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