

September 24, 2020

## **UK GOVERNMENT ANNOUNCES ITS ‘WINTER ECONOMY PLAN’**

To Our Clients and Friends:

Today, the UK Government announced its “Winter Economy Plan” – a series of employment and business support and tax measures intended to support the UK economy as the COVID-19 pandemic continues to impact economic output. These latest support measures mark a shift in focus to keeping the UK economy open whilst providing support to businesses as reduced demand continues to impact many businesses during the winter months and through to Q1 2021. It remains to be seen whether further support measures are announced as the UK grapples both with economic recession and the impact of COVID-19 on public health.

### ***The Jobs Support Scheme***

The UK Government has announced the Jobs Support Scheme (“**JSS**”) as the successor to the Coronavirus Job Retention Scheme (“**CJRS**”), starting 1 November 2020 for a period of 6 months. Unlike the CJRS, which was designed to support employees unable to work as a result of the requirement to stay at home, the aim of the JSS is to protect viable jobs by supporting the wages of those in work, providing employers with the option to retain employees on shorter hours rather than making them redundant. Whilst employers participate in the JSS, they are not able to issue redundancy notices to employees on the JSS scheme.

To be eligible for the JSS, employees must be working at least 33% of their usual hours and be paid for those hours by their employer as normal. For the remaining hours not worked, the employer and the UK Government will each pay one third of the employee’s wages, resulting in the employee receiving at least 77% of their total wages (the employer paying 55% and the UK Government paying 22%). The level of the grant will be calculated based on an employee’s usual salary, capped at £697.92 per month. The JSS is open to employers with a UK bank account and UK PAYE scheme and is not limited to those employers who made use of the CJRS; all small and medium sized businesses may apply and larger businesses may apply if their turnover has been reduced as a result of the pandemic. Employers may also claim for JSS in addition to claiming the job retention bonus announced earlier in the year. The UK Government has stated that it expects that large employers using the JSS will not be making capital distributions, such as dividend payments or share buybacks, whilst accessing the JSS. Further guidance on the JSS is expected to be issued in due course and we will update our clients once this has been announced.

## ***Self-Employed Support***

The UK Government has also announced the extension of the Self Employment Income Scheme Grant (“SEISS”). An initial taxable grant will be provided to those who are currently eligible for SEISS and are continuing to actively trade but face reduced demand due to the Coronavirus pandemic. The initial lump sum will cover three months’ worth of profits for the period from November to the end of January next year, capped at £1,875. An additional second grant, which may be adjusted to respond to changing circumstances, will be available for self-employed individuals to cover the period from February 2021 to the end of April 2021.

## ***UK Government Funding Schemes***

*Bounce Back Loans* – the UK Government announced the Pay As You Grow Scheme, which will allow businesses to pay back government Bounce Back Loans over a period of 10 years. This is an extension on the original 6-year term of these loans, together with the UK Government’s 100% guarantee of these loans. In addition, firms in financial difficulty will be permitted to suspend their repayments for up to 6 months and also elect to make interest only payments for the same period, without impacting a firm’s credit rating. The deadline for applications for Bounce Back Loans has also been extended to 31 December 2020.

*Coronavirus Business Interruption Loan Scheme* – the Coronavirus Business Interruption Loan Scheme will also be extended to 31 December 2020 for applications and the UK Government has announced its intention to provide lenders with the ability to extend the term of a loan from 6 years to 10 years. This also has the effect of extending the UK Government’s 80% guarantee of these loans.

*Coronavirus Large Business Interruption Loan Scheme* - the deadline for applications for Coronavirus Large Business Interruption Loans has been extended to 31 December 2020.

*Future Fund* - the deadline for applications for funding under the Future Fund scheme has been extended to 31 December 2020.

## ***Tax Measures***

The temporary cut in VAT from 20% to 5% for the tourism and hospitality sectors that was due to expire in January 2021 has been extended through to 31 March 2021.

In addition, businesses that deferred their VAT payments due in March to June 2020 will be given the option to pay their VAT in smaller instalments. Instead of paying a lump sum in full at the end March 2021, these businesses will be able to make 11 equal instalments over 2021-2022. It has been announced that businesses will need to opt into this VAT deferral mechanism and that HM Revenue & Customs will put in place an opt-in process in “early 2021”.

A further tax deferral has been introduced for self-assessment income tax payers (building on the deferral provided in July 2020): details are still be provided at the time of writing, but it has been announced that taxpayers with up to £30,000 of self-assessment income tax liabilities will be able to use the “Time to

# GIBSON DUNN

Pay” facility to secure a further 12 months to pay those liabilities due in January 2021, meaning that payments may now not need to be made until January 2022.



*This client update was prepared by James Cox, Sandy Bhogal, Benjamin Fryer, Amar Madhani, and Georgia Derbyshire.*

*Gibson Dunn’s lawyers are available to assist with any questions you may have regarding developments related to the COVID-19 outbreak. For additional information, please contact your usual contacts or any member of the Firm’s Coronavirus (COVID-19) Response Team. In the UK, the contact details of the authors and other key practice group lawyers are as follows:*

*James A. Cox – London, Employment (+44 (0)20 7071 4250, [jcox@gibsondunn.com](mailto:jcox@gibsondunn.com))*

*Sandy Bhogal – London, Tax (+44 (0)20 7071 4266, [sbhogal@gibsondunn.com](mailto:sbhogal@gibsondunn.com))*

*Benjamin Fryer – London, Tax (+44 (0)20 7071 4232, [bfryer@gibsondunn.com](mailto:bfryer@gibsondunn.com))*

*Amar Madhani – London, Private Equity and Real Estate (+44 (0)20 7071 4229, [amadhani@gibsondunn.com](mailto:amadhani@gibsondunn.com))*

*Georgia Derbyshire – London, Employment (+44 (0)20 7071 4013, [GDerbyshire@gibsondunn.com](mailto:GDerbyshire@gibsondunn.com))*

© 2020 Gibson, Dunn & Crutcher LLP

*Attorney Advertising: The enclosed materials have been prepared for general informational purposes only and are not intended as legal advice.*