

Update | Written 4 May 2020

This newsletter details some of the measures announced by the Government to support businesses and individuals during the COVID-19 crisis. We can provide proactive advice to help you come out stronger on the other side so please contact us if you wish to discuss any of these issues.

Best wishes

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Small Business Discretionary Grant Payments

Top-Up To Local Business Grant Funds Scheme

The Government has set up a discretionary fund to accommodate certain small businesses previously outside the scope of the business grant funds scheme.

This additional fund is aimed at small businesses with ongoing fixed property-related costs. The Government are asking local authorities to:

Prioritise businesses in shared spaces, regular market traders, small charity properties that would meet the criteria for Small Business Rates Relief, and bed and breakfasts that pay council tax rather than business rates. But local authorities may choose to make payments to other businesses based on local economic need. The allocation of funding will be at the discretion of local authorities.

To be eligible:

- businesses must be small
- under 50 employees
- and they must also be able to demonstrate that they have seen a significant drop of income due to Coronavirus restriction measures.



There will be three levels of grant payments. The maximum will be £25,000. There will also be grants of £10,000. Local authorities will have discretion to make payments of any amount under £10,000. It will be for councils to adapt this approach to local circumstances.

Bounce Back Loan Scheme (BBLs) Update

Chancellor Rishi Sunak has written to accredited lenders about how the Government wants BBLs to be run, including ensuring these loans are affordable and accessible, and has set the interest rate at 2.5%.

Update | Written 4 May 2020

Interaction between BBLs and the Coronavirus Business Interruption Loan Scheme (CBILS)

Businesses will be able to borrow up to £50,000 under BBLs, capped at 25% of turnover. The minimum facility size for term loans and overdrafts under CBILS will increase to £50,001 to avoid any risk of confusion or overlap. Any customer with a CBILS loan or overdraft of £50,000 or less will be able to switch that facility to a BBL loan should they choose to do so over the next few months. This change to the minimum facility size will not apply to asset finance and invoice finance CBILS facilities.

The Coronavirus Business Interruption Loan Scheme (CBILS) Update

This week seven of the largest lenders to UK SMEs have written an open letter stating a key change to the CBILS application process:

“Following the changes to the scheme announced today lenders will only ask businesses for information and data they might reasonably be able to provide at speed and we will not require the provision of forward-looking financial information or business plans from businesses applying for CBILS-backed lending, relying instead on our own information to assess credit and business viability”.

This means that business owners applying to these seven banks (Barclays Bank UK, Danske Bank, HSBC, Lloyds Bank, NatWest, Santander and Virgin Money) no longer need to prepare a cash flow and business plan when applying to CBILS. This dramatically reduces the efforts required to put an application together.

Despite it now being a simpler process, a business owner should consider if taking on debt at this time is the right thing to do. To help make this decision preparing a forecast may be a very helpful tool to see how the cash position changes under different assumptions and scenarios.

R&D Tax Credits and CBILS

R&D Tax Credits and CBILS are classed as state aid. Under state aid rules a business is only able to receive one form of state aid for a project.

HMRC guidance implies that if a CBIL is received by a business to help finance a specific project then that project is not eligible for future R&D tax credits (or at least SME R&D tax credits). It may still be eligible for RDEC.



However, if the CBIL is used for general business purposes (which seems more likely in most cases) then a project receiving R&D tax credits should still be eligible to receive them in the future.

It should be noted that HMRC have said they will be monitoring claims as they come which shows the answer is not black and white and further guidance is likely to be produced in due course.

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Further Details On Self-Employed Income Support Scheme (SEISS)

SEISS will allow taxpayers to claim a taxable grant of 80% of their average monthly trading profits, paid out in a single instalment covering 3 months, and capped at £7,500 altogether.

Key points that have changed since the previous version of the guidance:

1. HMRC guidance sets out information required to make a claim
2. The taxpayer has to claim and needs to set up Government Gateway account
3. Agents cannot make claims on their client's behalf
4. If taxpayers are unable to claim online an alternative way to claim will be available
5. Apart from those taxpayers subject to the loan charge their 2018/19 tax return must have been submitted by 23 April 2020 to qualify
6. Returns submitted between 26 March 2020 and 23 April 2020 will be subject to additional anti-fraud checks
7. Those taxpayers subject to the loan charge have until 30 September 2020 to submit their 2018/19 tax return
8. There is additional guidance on partnerships where some partners qualify and others do not – the grant belongs to the partner that qualifies for SEISS
9. SEISS is State Aid and may not be available if the taxpayer is already above the State Aid limit.

10. Where the taxpayer is non-resident or taxed on the remittance basis their total income includes overseas income that is not subject to tax in UK.

When can we make a claim?

The online claim service is not available yet. HMRC will aim to contact taxpayers by mid May 2020 if they consider that the taxpayer is eligible, to invite them to claim using the GOV.UK online service. Payment will be made by early June 2020 if the claim is approved.

If taxpayers are unable to claim online an alternative way to claim will be available. HMRC will update their guidance with more information soon.

