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Chancellor's Winter Economy Plan – 24.09.20

Chancellor Rishi Sunak has announced the next phase of the Government's planned economic response. These plans are designed to strike a balance between managing the virus and protecting the jobs and livelihoods of millions.

Whilst the furlough scheme provided immediate protection for millions of jobs, Sunak stated it is now wrong to hold people in jobs that only exist inside the furlough. There is a need to create new opportunities and support people in viable jobs that provide genuine security.

The Chancellor has therefore announced the creation of the Job Support Scheme from November, running for six months initially. Employers will be able to claim this and the Job Retention Bonus in respect of eligible workers.

The three elements of the Job Support Scheme announced in the House of Commons are:

1. Employers will continue to pay the wages of staff for the hours they work - but for the hours not worked, the government and the employer will each pay one third of their equivalent salary.

   This means employees who can only go back to work on shorter time will still be paid two thirds of the hours for those hours they can't work.

   Employees must be working at least 33% of their usual hours. The level of grant will be calculated based on employee's usual salary, capped at £697.92 per month.

2. The support is being targeted at businesses who need it the most. All SME businesses eligible; however, larger firms can only make use of the scheme where they can demonstrate that turnover has fallen – by way of a "financial assessment test";

3. The scheme is open to all employers across the UK, even those who have not made use of the furlough scheme.

The Government has also now published a Job Support Scheme Factsheet here. Important points to note are:

- Employees must be on an employer's PAYE payroll on or before 23 September 2020. This means a Real Time Information (RTI) submission notifying payment to that employee to HMRC must have been made on or before 23 September 2020;
- The minimum hours threshold of 33% may be increased after 3 months;
- Employees will be able to cycle on and off the scheme and do not have to be working the same pattern each month, but each short-time working arrangement must cover a minimum period of seven days;

- The grant will not cover Class 1 employer NICs or pension contributions;
- The expectation is that "*employers cannot top up their employees' wages above the two-thirds contribution to hours not worked at their own expense*". The opening to the statement confirms "*The burden of hours not worked will be split between the employer and the Government (through wage support) and the employee (through a wage reduction), and the employee will keep their job*" – so agreement will have to be reached on a wage reduction in all cases;
- "*Usual wages*" calculations will follow a similar methodology as for the Coronavirus Job Retention Scheme;
- Employees cannot be made redundant or put on notice of redundancy during the period within which the employer is claiming the grant for that employee;
- Grants will be payable in arrears online through Gov.uk from December 2020, meaning that a claim can only be submitted in respect of a given pay period, after payment to the employee has been made and that payment has been reported to HMRC via an RTI return;
- Employers must agree the new short-time working arrangements with their staff, make any changes to the employment contract by agreement, and notify the employee in writing. This agreement must be made available to HMRC on request.

Hours Employee Worked	33%	40%	50%	60%	70%
Hours Employee Not Working	67%	60%	50%	40%	30%
Employee Earnings (% of normal)	78%	80%	83%	87%	90%
Gov't Grant (% of normal wages)	22%	20%	17%	13%	10%
Employer Cost (% normal wages)	55%	60%	67%	73%	80%

The self-employed grant scheme will be extended on similar terms and conditions to the Job Support Scheme.

The second challenge identified within the Chancellor's statement related to helping businesses with cash flow, with the following measures announced

1. More time and greater flexibility to repay Bounceback Loans – this has been termed "pay as you grow". Loans can be extended from 6 to 10 years, nearly halving the average monthly repayment. Businesses can choose to make interest only repayments and can apply to suspend altogether for up to 6 months (if they can show they are in "real trouble"). There would be no impact on a business's credit rating in the circumstances;
2. Coronavirus Business Interruption Loans – The Government guarantee on loans will be extended for up to 10 years to make it easier for lenders to give more borrowers more time to repay;
3. The current loan schemes will remain open until 30 November 2020;
4. New successor loan guarantees are planned for the new year;
5. Businesses can spread VAT bills due in March 2021 over 11 smaller repayments with no interest to pay;

6. Any self-assessed income tax payers can extend their outstanding tax bill over 12 months from next January by agreeing a plan with HMRC.

Finally the planned VAT increase in the hospitality and tourism sector has been cancelled; meaning the rate will remain at 5% until March 31st 2021.