

CORONAVIRUS: UK GOVERNMENT ANNOUNCES AID FOR BUSINESS

The UK Government has announced a £350 billion package of measures to support businesses affected by the coronavirus outbreak. The package includes subsidised loans, support for the retail, hospitality and leisure businesses and grants for small businesses.

UK aid measures

The package has several elements. These are also summarised in the table on page 4 of this briefing.

Subsidised loans

The largest measure is a package of State guarantees for £330 billion of loans to businesses. That support will be delivered in two main forms, which will be launched in the week commencing 23 March.

Larger firms will be able to access a “Covid-19 Corporate Financing Facility” (CCFF), which will provide funding to businesses by purchasing commercial paper of up to one-year maturity. This will be available to non-financial firms “making a material contribution to the UK economy” and that had, prior to being affected by the coronavirus outbreak, a short term rating of investment grade, or financial health equivalent to an investment grade rating.

The facility will be implemented by a Fund operated by the Bank of England (BoE), on behalf of HM Treasury. The Fund will purchase securities at a spread above a reference rate, based on the current sterling overnight index swap curve, with spreads set such that pricing is close to the market spreads prevailing before the economic shock from the virus outbreak. Further details are available on the Bank of England’s website, [here](#).

When assessing whether a company is making a material contribution to the UK economy, the Bank of England will consider whether it has, in the UK, significant employment, headquarters, significant revenues, a large number of customers, or a number of operating sites. UK incorporated companies, including those with foreign-incorporated parents and with a genuine business in the UK, will normally be regarded as meeting these requirements.

For smaller firms, a new temporary Coronavirus Business Interruption Loan Scheme (CBILS) will be delivered by the British Business Bank. This will provide lenders with a guarantee of 80% on each loan of up to £5 million in value, subject to a per-lender cap on claims, and will cover the first 6 months of interest payments on these loans. Eligibility requirements for the scheme are summarised in the table on page 4 of this briefing. Further information is available on the website of the British Business Bank, [here](#).

Key issues

- UK government has announced a £350bn package of measures to support business affected by Coronavirus crisis
- Package includes Government-supported purchases of commercial paper, business loans, business rates relief and grants
- Package has received State aid approval from the European Commission

For firms with turnover of between £45 million and £500 million, there will be a Coronavirus Large Business Interruption Loan Scheme (CLBILS) providing government guarantees of 80% to enable banks to make loans of up to £25 million.

For banks and building societies, the BoE has announced a Term Funding Scheme that will allow them to access BoE funds equivalent to 5% of their lending to the real economy at an interest rate close to the BoE's 0.25% bank rate. Additional funding will be available to banks that increase lending, especially to SMEs.

Coronavirus Job Retention Scheme

Under this temporary scheme all UK employers that had a PAYE payroll scheme on 28 February 2020 can, until at least 1 June 2020, claim for 80% of furloughed employees' (employees on a leave of absence) usual monthly wage costs, up to £2,500 a month, plus the associated Employer National Insurance contributions and minimum automatic enrolment employer pension contributions on that wage. Employers can use this scheme anytime during this period.

A similar scheme (the Self-employment Income Support Scheme) will allow self-employed individuals (including members of partnerships) to claim a taxable grant worth 80% of trading profits up to a maximum of £2,500 per month for three months (subject to extension).

Deferrals of VAT and Self-Assessment payments

UK VAT registered business will have the option to defer VAT payment due between 20 March 2020 and 30 June 2020 until a later date and to defer Self-Assessment payments on account that are due by 31 July 2020.

Support for retail, hospitality and leisure businesses

Retail, hospitality and leisure businesses in England will not have to pay any business rates for the 2020 to 2021 tax year. Those which operate from smaller premises with a rateable value between £15,000 and £51,000 will also be eligible for a grant of £25,000. Further information will be available from local authorities. Similar measures have been announced in respect of Scotland, Wales and Northern Ireland

Other support for small businesses

Small businesses that already pay little or no business rates because of small business rate relief will be entitled to a one-off grant of £10,000 from their local authority. Funding for this will be provided to local authorities by government in early April.

In addition, legislation will be introduced shortly to allow small- and medium-sized businesses (SMEs) to reclaim up to two weeks of statutory sick pay paid for each employees that is off work because of the coronavirus. SME employers therefore should maintain records of staff absences and payments of statutory sick pay.

Support for other sectors

The Government has indicated that it does not intend to launch any further sector-wide aid schemes, but that – at least in respect of the aviation sector – it is prepared to enter negotiations with individual companies seeking bespoke support. However, it has emphasized that this should be a last resort, where a business has exhausted all commercial avenues, including raising further capital from existing investors and discussing arrangements with financial stakeholders.

European Commission State aid clearance

Grants and guarantees under the CBIL scheme were cleared by the European Commission on 25 March and various other measures – including direct grants, equity injections, selective tax advantages, State guarantees and subsidised loans – were cleared on 6 April.

Some of the UK schemes – such as the Coronavirus Job Retention Scheme – are available to all UK businesses and are therefore not notifiable. In addition, we understand that it has been determined that the CCFF scheme does not amount to notifiable State aid on the basis that it falls within the scope of the Bank of England's monetary policy activities, in line with the Commission's 2013 Banking Communication.

At a glance – which support schemes might be right for you?

Scheme	Start date	Outline	Availability
COVID Corporate Financing Facility	Week beginning 23 March 2020.	Purchase of commercial paper of up to one year maturity issued by firms making material contribution to the UK economy.	Only available to non-financial companies that make a material contribution to the UK economy and that had, prior to being affected by COVID-19, a short term rating of investment grade or equivalent financial health.
Term Funding Scheme	No later than 27 April.	Bank of England will allow banks and building societies to access BoE funds equivalent to at least 10% of their lending to the real economy at an interest rate close to the BoE's 0.25% bank rate. Additional funding available to banks that increase lending, especially to SMEs.	Only accessible by banks and building societies.
Coronavirus Business Interruption Loan Scheme	23 March 2020.	British Business Bank will provide participating lenders with a government-backed guarantee against 80% of outstanding facility balances owed by small business borrowers, up to £5 million, with the first 6 months interest free for borrowers. Finance terms are from three months up to ten years for term loans and asset finance and up to three years for revolving facilities and invoice finance.	Small business borrower must: <ul style="list-style-type: none"> • Be UK based, with a turnover of no more than £45m per annum; • not be a bank, building society, insurer, reinsurer or public sector organisation; • have a sound borrowing proposal which the lender (i) would consider viable, were it not for the current pandemic and (ii) believes will enable the borrower to trade out of any short-medium term difficulty.

Scheme	Start date	Outline	Availability
Coronavirus Large Business Interruption Loan Scheme	Further details to be announced later this month	Will provide government guarantees of 80% to enable banks to make loans of up to £25m to firms with an annual turnover of between £45m and £500m.	As above, except that borrower must have an annual turnover between £45 million and £500 million and must be unable to secure regular commercial financing. Further details of eligibility requirements to be published later in April.
Business Rates Relief	From 5 April 2020.	All retail, hospitality and leisure business in England will get a 100% business rates holiday for the next 12 months.	Retail, hospitality and leisure businesses. Additional eligibility criteria not yet specified.
Coronavirus Job Retention Scheme	Expected end of April	Covers 80% of furloughed employees' usual monthly wage costs, up to £2,500 a month, plus Employer National Insurance contributions and minimum employer pension contributions.	All UK-wide employers with a PAYE scheme that was created and started on or before 28 February 2020.
Grants	To be announced (central Government funding due in early April).	A £25,000 grant will be provided to retail, hospitality and leisure businesses operating from smaller premises, with a rateable value between £15,000 and £51,000. Small businesses that already pay little or no business rates because of small business rate relief will be eligible for a one-off grant of £10,000 to help meet their ongoing business costs.	Retail, hospitality and leisure business and small businesses that pay little or no business rates. Additional eligibility criteria not yet specified
Statutory sick pay subsidy	"As soon as possible" in the coming months	Small- and medium-sized businesses (SMEs) will be able to reclaim up to two weeks of statutory sick pay paid for each employees that is off work because of the coronavirus.	SMEs only.

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