On March 17, the UK Chancellor of the Exchequer, Rishi Sunak, announced an unprecedented £330 billion package, equivalent to 15% of UK gross domestic product, of government-backed and guaranteed loans to support businesses, employees, self-employed individuals and public sector workers experiencing financial difficulties owing to Coronavirus (COVID-19).

This announcement came on top of a £30 billion package announced a week earlier during UK Budget 2020 for the same purpose, which included an emergency response fund to provide National Health Service, local authority and other public sector workers with the resources they need to help tackle the impacts of COVID-19. Further measures aimed mainly at protecting employees were announced on 20 March.

In addition to financial support, the UK Government has also announced a number of other tax-related measures to help businesses, employees and contractors manage the COVID-19 pandemic.
Off-Payroll Reforms Delayed to April 2021

The proposed changes to the IR35 rules (known as the off-payroll reforms), which were due to come into force in April this year, and which would likely have seen many self-employed contractors reclassified by the engaging client as employees for UK payroll taxation purposes, have been postponed to April 2021.

UK businesses have welcomed this move, as it will buy them extra time to plan ahead for the proposed changes. The delay also potentially creates an opportunity in the meantime for the UK Government to address widespread concerns about the potential negative economic consequences of these proposed changes. Whether the government will actually do so, however, and to what extent, remains to be seen.

Further details on the proposed IR35 changes can be found in our Insight article, UK Employment Law: 2019 Highlights and 2020 Forecast.

UK Government to Step in And Pay Employees’ Salaries

For UK businesses struggling to pay their employees, the UK Government has promised unlimited grants to employers that will allow them to cover 80% of the salaries of retained employees, up to a total of £2,500 a month. The scheme will be open to all UK employers before the end of April for at least three months, and will cover the cost of wages backdated to 1 March.

Employees will also be entitled to Statutory Sick Pay (SSP) from day 1 of sickness absence owing to COVID-19. Only small and medium sized businesses with fewer than 250 employees (determined as at 28 February 2020) will, however, be eligible for a refund of employees’ SSP from the UK Government, and this will be limited to two weeks per employee.

Self-employed contractors will be entitled to claim state benefits (Universal Credit) at a rate equivalent to SSP for employees. They will also be entitled to claim Employment And Support Allowance. Further details on the measures for employees can be found in our Insight article: UK Government to Extend Statutory Sick Pay Entitlement to Day One of Absence.

VAT and Income Tax Payments to be Deferred

For the period from 20 March to 30 June 2020, no business operating in the United Kingdom will be required to pay value added tax (VAT), with the VAT due for the relevant quarter in that period being deferred to the end of the tax year 2020/21. Income tax payments due on 31 July 2020 under the UK self-assessment system, which will mainly affect self-employed contractors who pay their income tax in instalments, will be deferred until 31 January 2021.

100% Business Rates Holiday For The Retail, Hospitality And Leisure Sectors

The COVID-19 outbreak has hit the retail, hospitality, and leisure sectors particularly hard. Businesses in these sectors will not have to pay business rates (a
tax on property values) for the UK tax year 2020/21, regardless of their rateable value. These businesses will also receive extra cash injections of £25,000 each to help them get through the crisis.

**Small Business Grant Funding**

For businesses that pay little or no business rates under Small Business Rate Relief (SBRR), the UK Government will provide £2.2 billion of funding for local authorities in England. This will provide £3,000 to approximately 700,000 business currently eligible for SBRR or Rural Rate Relief to help meet their ongoing business costs. For a property with a rateable value of £12,000, this amounts to one quarter of their rateable value and is comparable to three months of rent.

**Time to Pay Arrangement For Tax Payments**

The UK Government will ensure that businesses and self-employed individuals in financial distress and with outstanding tax liabilities receive support with their tax affairs. HMRC have established a dedicated COVID-19 helpline (0800 0159 559) to help those in need, and have made a further 2,000 experienced call handlers available.

Businesses may also be able to agree bespoke Time to Pay (TTP) arrangements, which have been used successfully in the past. These give businesses a time-limited deferral period on HMRC liabilities owed and a pre-agreed time period to pay these back. TTP arrangements will give businesses and self-employed contractors the time they need to pay HMRC, which will help support their recovery while operating through any temporary financial challenges that occur.

To ensure ongoing support, HMRC will also waive late payment penalties and interest where a business experiences administrative difficulties contacting HMRC or paying taxes as a result of COVID-19.

**Coronavirus Business Interruption Loan Scheme**

The UK Government plans to launch a new, temporary Coronavirus Business Interruption Loan Scheme, delivered by the British Business Bank, to help businesses access bank lending and overdrafts. The Scheme will provide lenders with a guarantee of 80% on each loan (subject to a per lender cap on claims), with no charges or fees for either lenders or borrowers.

This new guarantee will initially support up to £1 billion of lending on top of current support offered through the British Business Bank.

**HMRC’s “Preferential Creditor” Status Delayed to 1 December 2020**

Since 2003, HMRC has been a non-preferential creditor under UK insolvency rules for all forms of tax. In the 2018 Budget, the UK Government announced that HMRC would become a preferential creditor in a business insolvency as of 6 April 2020 with respect to VAT, Pay as You Earn income tax, student loan repayments, employee National Insurance Contributions, and construction industry scheme withholding tax. This will effectively restore HMRC to its pre-Enterprise Act 2002 status. Preferential creditor status means that HMRC will rank ahead of floating chargeholders and
unsecured lenders under UK insolvency rules.

As a result of COVID-19, the reintroduction of preferential creditor status for HMRC in an insolvency has been delayed until 1 December 2020.

**Extensions to UK Accounts Filing Deadlines**

UK companies and Limited Liability Partnerships are required to prepare and file accounts with UK Companies House within nine months of the accounting period end. To avoid the risk of incurring any late filing penalties, these businesses should apply for an accounts filing extension if, immediately before the filing deadline, it becomes apparent that the accounts will not be filed on time owing to the business being affected by COVID-19.

For companies, this may in turn affect the timing for corporation tax payments and return filings, since a final set of accounts is required for calculating the corporation tax due. Generally, the tax has to be paid within nine months of the end of the relevant accounting period, with the tax return deadline falling three months thereafter.

Businesses should bear these knock-on effects in mind when applying for an accounts filing extension and, if necessary, consider a Time To Pay arrangement (see above). Further details on how to apply for an accounts filing extension can be found [here](https://www.natlawreview.com/article/uk-government-provides-covid-19-related-tax-and-financial-support-businesses-0).

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