

UK Government Assistance for Businesses in the COVID-19 Crisis

The UK Government has made a number of further announcements in connection with initiatives designed to assist businesses and individuals during the COVID-19 crisis. These are as follows:

Bounce Back Loans

The UK Government recently announced details of its new loan scheme aimed at SMEs and other small businesses. This is the Bounce Back Loan Scheme (“BBLS”), the main features of which are as follows:

- the BBLS is available to UK limited companies and partnerships, and also UK tax resident businesses in each case which carry on a trading business and can demonstrate that it has been impacted by the COVID-19 crisis;
- the minimum loan is £2,000 with a maximum loan equal to the lower of 25% of the business’ turnover and £50,000;
- the interest rate is 2.5% per annum with no interest payable in the first twelve months;
- no fees or loan repayments are required in the first twelve months;
- lenders are not permitted to take personal guarantees or make recovery against a borrower’s personal assets (such as their home or their car);
- the UK Government will guarantee 100% of the loan;
- a group may only make one claim and may not also claim for Coronavirus Business Interruption Loan Scheme, the Coronavirus Large Business Interruption Loan Scheme, or the Covid Corporate Financing Facility, unless that loan will be refinanced in full by the BBLS borrowing.

Coronavirus Large Business Interruption Loan Scheme

Further details have been announced about the Coronavirus Large Business Interruption Loan Scheme (“CLBILS”). Similar in many ways to the Coronavirus Business Interruption Loan Scheme (“CBILS”), the CLBILS is a Government backed and guaranteed loan scheme for larger businesses, which have an annual turnover in excess of £45 million. Loans under the CLBILS will be made by commercial lenders, with the

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Government guaranteeing 80% of each loan. A lender can lend up to £25 million to a business with a turnover of between £45 million and £250 million, and up to £50 million to a business with a turnover in excess of £250 million.

Whilst a number of features of the CLBILS are similar to the CBILS, there are some important differences, in particular interest will be payable from the date of borrowing, the maximum repayment term is 3 years and other loans may also be taken out.

Commercial rates of interest and other terms will apply.

Applications for loans must be made through accredited lenders, which currently includes the main UK banks such as Bank of Scotland, Barclays, HSBC, Lloyds, Nat West, Santander and RBS.

New Discretionary Fund for Small Businesses

A new discretionary fund has been established by the UK Government to help small businesses which have trouble benefitting from the Small Business Grant Fund and the Retail Hospitality and Leisure Grant Fund.

This new fund is a discretionary fund, which can provide grants of up to £25,000 to small businesses (with less than 50 employees) which can demonstrate that they have seen a significant drop of income due to COVID-19 restriction measures.

Deferral of VAT

The UK Government has previously announced an automatic deferral of VAT payments that have accrued during the period 20 March 2020 to 30 June 2020, with taxpayers being given until the end of the 2020/21 tax year to pay any such liabilities. VAT refunds will continue to be paid as normal.

It has now been confirmed that the payments which may be deferred are:

- quarterly and monthly payments from the VAT returns for the periods ending February, March and April 2020;
- payments on account of VAT due between 20 March 2020 and 30 June 2020; and
- annual accounting advance payments also due between 20 March 2020 and 30 June 2020.

In addition, future repayments of VAT will not be able to be offset against deferred VAT although they can be offset against existing debts.

For further information on any of the above measures please contact either Michael Cashman or Bob Cordran.