

**Alert | Health Emergency Preparedness Task Force:  
Coronavirus Disease 2019**



**28 March 2020**

## **SME Support Measures in the UK Due to Coronavirus Disease 2019**

The rapid spread of Coronavirus Disease 2019 (COVID-19) in the United Kingdom and the increasingly severe “stay home” measures being implemented to counter the disease have resulted in abrupt, and in many respects unprecedented, impacts on large swathes of the UK economy. Many sectors and industries have been forced to greatly reduce, or in many cases effectively cease, economic activity as the crisis unfolds.

The immediate impacts of the measures taken are particularly acute for small and medium enterprises (SMEs), because such businesses often have more limited resources than larger companies to weather prolonged increases in costs and cashflow disruptions. As a result, for many, the unfolding health crisis has quickly become an income crisis.

The UK government has recognised this threat and announced a significant number of economic support measures. The accelerating nature of the crisis, and the government’s response, is demonstrated by the fact that, while the UK Budget published on 11 March 2020 included £12 billion of COVID-19-related measures, less than a week later (on 17 March 2020) the Chancellor announced a package of state-backed loans making available an initial £330 billion of guarantees – equivalent to approx. 15% of UK GDP. In recent days, there has been a steady stream of further announcements of measures designed to alleviate the immediate impact of COVID-19 on the UK economy.

This GT alert focuses on measures either specifically aimed at SMEs or available to all businesses, but which may be of particular interest to SMEs.<sup>1</sup>

### **Coronavirus Business Interruption Loan Scheme (CBILS)**

This temporary scheme aims to support SMEs with annual revenues of less than £45 million that are experiencing increased costs or cashflow disruptions due to COVID-19 by facilitating access to loans, overdrafts, invoice finance and asset finance of up to £5 million per facility. It is backed by the state-owned British Business Bank and delivered via 40 accredited commercial lenders (which include all major UK banks).

The CBILS works by providing lenders with a government guarantee of 80% of each loan (subject to pre-lender caps on claims) with the aim of instilling confidence in lenders to continue extending finance to SMEs during the crisis. Lending decisions remain commercial decisions of the lenders, and borrowers are liable for the entirety of any monies extended under CBILS facilities. Repayments can be spread over six years.

To reduce upfront costs and ensure lower initial repayments, the government has also announced a “business interruption payment” to cover the first 12 months of any interest payments and lender-levied fees under CBILS facilities. Further, there is no fee for businesses to access the scheme, and the UK government has announced that borrowers and lenders will not be charged for the guarantee.

In order to qualify for the scheme, businesses must:

- be UK-based and have revenues of less than £45 million per annum; and
- have a borrowing proposal which the lender:
  - would consider viable, were it not for the COVID-19 crisis; and
  - considers will enable the borrower to trade out of any short- to medium-term difficulty.

The CBILS is available to SMEs in all sectors of the economy with the exception of banks and building societies; insurers and reinsurers (but not insurance brokers); public-sector organisations; employer, professional, religious or political membership organisations; and trade unions.

The full rules of the scheme and the list of accredited lenders are available on the [website of the British Business Bank](#).

### **Statutory sick pay relief for SMEs with fewer than 250 employees**

In the UK, statutory sick pay (SSP) is paid by employers to eligible employees who are off work due to sickness for longer than four consecutive days (but less than 28 weeks) and who ordinarily pay National Insurance contributions. SSP is set at £94.25 per week for the 2019/2020 tax year and £95.85 for the 2020/2021 tax year.

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<sup>1</sup> This alert focuses on measures implemented in England. Certain elements of regulation, and therefore business support, are devolved to the competent authorities in Scotland, Wales and Northern Ireland, and available schemes may differ from those available in England.

In order to support SMEs during the current crisis, the government has announced legislation to enable SMEs to reclaim SSP paid for workplace absence due sickness resulting from COVID-19.

To qualify for this relief, businesses must be UK-based and must employ fewer than 250 employees (measured as of 28 February 2020). The government has announced that this relief will cover up to two weeks' SSP per eligible employee and will enable employers to reclaim expenditure for any employee who has claimed SSP as a result of COVID-19.

The government's announcement states that employers should maintain records of all staff absences and payments of SSP but clarifies that employees will not need to provide evidence in the form of fit notes (i.e., statements of fitness for work) from a GP or hospital doctor.

The precise mechanics of what is expected to be a rebate scheme are not yet available, but the government has announced that it will work with employers over the coming months to set up a repayment mechanism.

### **Small Business Grant Fund**

Under the Small Business Grant Fund (SBGF) all businesses in receipt of the pre-COVID-19 Small Business Rates Relief and the pre-COVID-19 Rural Rates Relief in the business rates system on 11 March 2020 will be eligible for a one-off payment of £10,000 per property (provided they are a business which occupies at least one property). Those businesses whose properties have a rateable value between £12,000 and £15,000 and receive tapered business rates relief also qualify.

Properties with a rateable value of over £51,000 are excluded as are properties used for personal use or car parks and parking spaces. The issuance of the grants is also subject to any applicable EU state aid limits but, given the size of most SMEs, this would apply to a small minority of grants.

There is no need for eligible businesses to apply to receive the SBGF grant – their local authority will write to them informing them if they are eligible. The eligible recipient of the grant is the person who, according to the local authority's records, was the ratepayer in respect of a relevant property on 11 March 2020.

### **Retail and Hospitality Grant Scheme**

The Retail and Hospitality Grant Scheme provides a one-off payment of £25,000 for retail, hospitality and leisure businesses per property, provided the properties had a rateable value of between £15,000 and £51,000 on 11 March 2020. Businesses in these sectors with a property that has a rateable value of up to £15,000 will receive a grant of £10,000 in respect of that property. Businesses that are expected to benefit from this scheme will be those that have properties which are wholly or mainly used as shops, restaurants, cafes, drinking establishments, cinemas and live music venues, for assembly and leisure or as hotels, guest and boarding premises and self-catering accommodation.

As with the Small Business Grant Fund, properties which are used for personal use are excluded as are car parks and parking spaces. The issuance of the grants is also subject to any applicable EU state aid limits.

There is no need for eligible businesses to apply to receive the grant – their local authority will write to them informing them if they are eligible. The eligible recipient of the grant is the person who, according to the local authority's records, was the ratepayer in respect of a relevant property on 11 March 2020.

### **Business rates holiday for retail, hospitality and leisure businesses**

The government has announced a business rates holiday for retail, hospitality and leisure businesses in England for the 2019/2020 to 2020/2021 tax years. Businesses that received the retail discount in these tax years will be rebilled by their local authority.

In order to qualify, businesses must be based in England and operating in the retail, hospitality and/or leisure sectors. Properties that will benefit from the relief must be occupied “hereditaments” (i.e., properties that can be inherited) that are wholly or mainly being used as shops, restaurants, cafes, drinking establishments, cinemas and live music venues; for assembly and leisure; or as hotels, guest and boarding premises and self-catering accommodation.

There is no need for eligible businesses to apply, with amendments expected to be made to council tax bills in April 2020.

### **Coronavirus Self-employment Income Support Scheme**

While not strictly speaking aimed at SMEs, the Coronavirus Self-employment Income Support Scheme may be of interest to owners of SMEs, in particular to those of startup businesses.

The scheme applies to individuals who receive the majority of their income from self-employment. HMRC will itself make the determination of who is eligible and send an online form to those whom it deems eligible. Eligible individuals will receive a grant paid directly straight into their bank account.

The scheme largely mirrors the Coronavirus Job Retention Scheme (CJRS) for employees, as those eligible will receive a taxable grant worth 80% of average monthly income, capped at £2,500 per month. This income will be calculated by taking the individual’s average self-employed income over the last three years. Unlike those on furlough leave (who have to stop work completely), the self-employed can claim these grants and continue to do business.

The scheme is limited to those with trading profits of up to £50,000, which according to the government means that approx. 95% of the self-employed can benefit. To minimise fraud, the scheme will only apply to those who submitted a tax return for 2019, however, those who failed to submit their tax return by the due date of 31 January 2020, and have not yet submitted one, have until 23 April 2020 submit a tax return for 2019.

As with the CJRS, the Coronavirus Self-employment Income Support Scheme will be open for an initial three months, with potential for extension should the government deem it necessary. However, the Chancellor has confirmed that setting up the scheme would be “operationally complicated” and so it may not be up and running before the end of June.

### **Conclusion**

The accelerating government response in the form of economic measures underscores the government’s recognition of the threat of the unfolding crisis for the UK economy. These measures are designed to alleviate the most immediate consequences. Further measures and implementing steps are expected in the coming days, weeks and months.

*This GT Alert is limited to non-U.S. matters and law.*

For more information and updates on the developing COVID-19 situation, visit [GT's Health Emergency Preparedness Task Force: Coronavirus Disease 2019](#).

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