



## BRIEFING PAPER

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# Coronavirus: Support for businesses

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## Summary

**This is a fast-moving issue and information should be read as correct at the date of publication (4 June 2020).**

In a worst-case scenario, up to one-fifth of UK employees may be absent from work during the coronavirus outbreak. This would have significant economic impacts in the UK. This briefing provides information on the various sources of support for businesses affected.

Pre-existing Government support schemes for businesses may be of help to firms. More information about these can be found in Library briefing [Access to Support for Small Firms](#).

**Advice and information for affected businesses** is provided in a number of different places. The Government has:

- [created a website](#) with detailed guidance on the different support measures available to businesses.
- set up [a dedicated team](#), led by the Department for International Trade (DIT) and UK Export Finance (UKEF), to offer:
  - supply chain support
  - help for businesses with cash flow problems

The Confederation of British Industry (CBI) has created [an online hub](#) to assist businesses in dealing with the impacts of coronavirus, with [ACAS](#) producing similar advice for employers. The Federation of Small Businesses (FSB) has [published their own advice](#), which includes information about the help members of the FSB can call on during the outbreak.

Since the coronavirus outbreak reached the UK, the Government announced plans for a **[£330+ billion package of support for businesses](#)**, including:

- A **Coronavirus Job Retention Scheme** that will see HMRC pay 80% of “furloughed” workers’ wages, up to a £2,500 per month cap for at least three months.
- A **Self-Employment Income Support Scheme** that will pay self-employed individuals up to 80% of their profits for three months, up to a £2,500 per month cap.
- A new **Coronavirus Business Interruption Loan Scheme** that will see banks offer loans of up to £5m to support SMEs. The Government will cover the costs of interest on these loans for the first six months. The scheme was extended to larger businesses from 20 April. A simplified scheme, **Bounce Back Loans**, launched on 4 May.
- **Scaling up HMRC Time To Pay service**, allowing businesses and the self-employed to defer tax payments over an agreed period of time.
- **Tax deferrals** on both self-assessment tax returns and the quarterly tax return for 20 March-30 June.
- **Statutory Sick Pay (SSP)** costs for businesses with fewer than 250 employees will be met by the Government in full for up to 14 days per employee.
- **Business Rate Relief** for all businesses in the retail, hospitality or leisure sector in England, for one year in 2020-21. Eligible pubs will also be entitled to a business rate discount of £5,000.
- **Cash grants** worth:
  - £25,000 to the smallest businesses in the retail, hospitality or leisure sector.

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- £10,000 for all business in receipt of Small Business Rates Relief (SBRR) and Rural Rates Relief.
- The **Covid 19 Corporate Financing Facility (CCFF)** for large businesses.
- Provisions **to prohibit forfeiture of a lease for non-payment of rent for 3 months** to 30 June 2020. This applies in England, Wales and Northern Ireland.

**The Bank of England** has reduced the base rate to 0.1%, enabled an expansion of low-cost credit to businesses through the CCFF and the Business Interruption Loans Schemes, reduced the UK countercyclical capital buffer rate (which the Bank estimates will allow banks to lend up to £190 billion more to businesses), and has advised banks not to increase dividends or bonuses in response to the other actions announced.

**Insurance arrangements** for businesses are complex and cover a number of areas. The Association of British Insurers advises businesses to check their cover and to discuss concerns with brokers. Few companies are likely to have pandemic business interruption coverage (whether related to Government orders to close down or notifiable illnesses), although the level of those who do is still uncertain and policy wording may be open to challenge. The Government advises those not eligible to claim to take up the other support measures on offer.

**All our briefings on coronavirus are listed on the [Commons Library coronavirus page](#).** This briefing also signposts relevant Library publications and other sources throughout.

# 1. Impacts on business and the economy

The Government warned that up to one-fifth of employees may be absent from work during peak weeks of the pandemic.<sup>1</sup> This may vary for individual businesses but could have significant economic impacts on individual businesses as well as the wider economy. In [Budget 2020](#), HM Treasury stated:

The impact of the outbreak of Covid-19 on the UK economy is highly uncertain, and while the effect could prove significant, it is expected to be temporary.<sup>2</sup>

The Library's [coronavirus hub](#) lists all our briefings and insights relevant to the pandemic.

## 1.1 Closure of business premises

The [Health Protection \(Coronavirus, Restrictions\) \(England\) Regulations 2020 \(SI 2020/350\)](#) ('lockdown regulations') require businesses in a range of sectors **in England** to close their premises, except for carrying out certain permitted activities. The regulations came into effect on 26 March 2020.

The Government has published a [full list of the business premises that are required to close](#).

It is also an offence for a person to leave their house to go to work if it is reasonably possible for them to work from home.

Public health is devolved to Scotland, Wales and Northern Ireland. The three nations introduced their own lockdown regulations that were broadly similar to those in England.<sup>3</sup>

### 'Return to work' in England

On 10 May 2020, [the Prime Minister addressed the nation](#) to announce the Government's roadmap for lifting the coronavirus lockdown in England. On 11 May the Government published its [Covid-19 recovery plan](#), setting out a three-step plan for lifting restrictions.

As part of this, the Government announced that it is now encouraging workers in England who cannot work from home to go to work. On 12 May, the Government published [guidance for eight sectors on working safely during Covid-19](#).

While this new approach has widely been described as 'returning to work', the underlying law has not yet changed. The lockdown regulations remain in place:

- Workers who can work from home are still prohibited from going to the workplace.

For further information, see our briefings [Coronavirus: the lockdown laws](#) and [Coronavirus: returning to work](#).

<sup>1</sup> Department of Health & Social Care, [Coronavirus action plan: a guide to what you can expect across the UK](#), 3 March 2020

<sup>2</sup> HM Treasury, [Budget 2020](#), 11 March 2020, para. 18

<sup>3</sup> See [SSI 2020/103](#) (Scotland); [WSI 2020/353 \(W.80\)](#) (Wales); [NISR 2020/55](#) (NI).

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- Businesses that were required to close must remain closed.

Businesses that do require workers to attend the workplace must ensure that they comply with existing health and safety laws. The Government's [working safely guidance](#), which is not law, provides examples of the sorts of measures employers should take to safeguard workers in the context of the Covid-19 pandemic. Employers must undertake a full risk assessment in accordance with health and safety legislation.

The Government's recovery plan says that retail businesses will not begin to re-open until at least 1 June 2020 and that businesses in the hospitality sector will not begin to re-open until at least 4 July 2020.

### **Scotland, Wales and Northern Ireland**

The governments in Scotland, Wales and Northern Ireland have retained their own lockdown rules. They have each said they are not following the UK Government's approach of encouraging workers to go to work.

The [Scottish Government](#), [Welsh Government](#) and [Northern Ireland Executive](#) have issued their own guidance to businesses and workers.

## 2. Where can businesses get information and advice?

The Government has consolidated information and resources for businesses affected by the Coronavirus outbreak on [its business support webpage](#). This is likely to be the most comprehensive source of up-to-date information available about support and eligibility.

Please note that some aspects of business support are devolved to individual countries of the UK. The [main webpage](#) gives a brief summary of which schemes are available where, but there are also links to overall support available in [Scotland](#), [Wales](#) and [Northern Ireland](#).

### Government business support advice

On the 9 March 2020 the Government set up [a dedicated team](#), led by the Department for International Trade and UK Export Finance (UKEF) to support businesses facing challenges caused by the coronavirus:

- **Supply chain support:** DIT has a global network of relationships with businesses across the world and, where possible, it says it will seek to provide advice on alternative suppliers. DIT can also direct queries to professional service and advisory firms who can assist UK companies to seek alternative suppliers.
- UKEF is also **helping businesses with cash flow problems** by guaranteeing bank loans through its [Export Working Capital Scheme](#). It also offers an [export insurance policy](#) to help recover the costs of fulfilling an order that is terminated by events outside the control of the business.

UKEF also supports finance for overseas buyers through the [Direct Lending Facility scheme](#).

The Departmental Operations Centre can be contacted on [COVID19@trade.gov.uk](mailto:COVID19@trade.gov.uk).

### Industry support and advice

The Confederation of British Industry (CBI) has created [an online hub](#) to assist businesses in dealing with the impacts of coronavirus, with [ACAS](#) producing similar advice. The Federation of Small Businesses (FSB) has [published their own advice](#), which includes information about the help members of the FSB can call on during the outbreak.

The [Business Support Helpline](#) provides help and advice to firms.

Regionally, [Growth Hubs](#) run by Local Enterprise Partnerships provide support and information to local businesses.

### Covid-19 scams

HMRC has seen an increase in coronavirus-related scams and has [published guidance on spotting them](#).

### 3. What support for businesses was announced?

**Note: This section focuses on the initial announcements and reactions. Later developments are discussed in individual sections and other briefings.**

In [Budget 2020](#), the Chancellor set out plans for a £12 billion package of “temporary, timely and targeted measures” to support public services, individuals and businesses through the economic disruption caused by coronavirus.<sup>4</sup>

On 17 March, the [Chancellor set out a package of additional financial measures worth £330 billion](#) (“equivalent to 15% of GDP”) and “promised to do whatever it takes to support our economy through this crisis.” The Chancellor went on to say “if demand is greater than the initial £330 billion [for loans] I'm making available today, I will go further and provide as much capacity as required. I said whatever it takes – and I meant it.”<sup>5</sup> To this end the Chancellor said it there would be new legal powers in the [Coronavirus Bill](#) enabling the Government to “offer whatever further financial support we think necessary to businesses.”<sup>6</sup>

On 19 March an [Urgent Question on coronavirus employment support](#) was debated in the House. During this debate several Members raised concerns that the package of support measures announced fell short of what was required.<sup>7</sup> The Economic Secretary to the Treasury John Glen responded to the question, and ended by highlighting: “The Chancellor has said that he will look at further steps to help protect jobs and incomes, and he will announce further details in due course.”<sup>8</sup>

A day later, on 20 March, the [Chancellor provided an updated statement on coronavirus](#). This provided both new measures and updated information on those measures already announced.<sup>9</sup>

Taken together, the combined support measures announced for businesses and the self-employed affected by Coronavirus, included:

- The Coronavirus Job Retention Scheme through which HMRC will reimburse 80% of “furloughed” workers’ wage costs, up to a cap of £2,500 a month.
- A direct grant scheme for the self-employed, which will pay self-employed individuals up to 80% of their profits, up to a £2,500 per month cap.

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<sup>4</sup> HM Treasury, [Budget 2020](#), 11 March 2020, para 1.83

<sup>5</sup> HM Treasury, [Chancellor of the Exchequer, Rishi Sunak on COVID19 response](#), 17 March 2020

<sup>6</sup> HM Treasury, [Chancellor announces additional support to protect businesses](#), 17 March 2020

<sup>7</sup> HC Deb 19 Mar 2020 [cc1137-1153](#)

<sup>8</sup> HC Deb 19 Mar 2020 [c1137](#)

<sup>9</sup> HM Treasury, [The Chancellor Rishi Sunak provides an updated statement on coronavirus](#), 20 Mar 2020

- The Coronavirus Business Interruption Loan Scheme to support long-term viable businesses to respond to cash-flow pressures
- Scaling up the HMRC Time To Pay Scheme
- Tax deferments
- Statutory sick pay relief for SMEs.
- Business Rate Relief for businesses in the retail, hospitality or leisure sector.
- A £25,000 cash grant to businesses in the retail, hospitality or leisure sector with a rateable value of less than £51,000
- Small business grant funding of £10,000 for all business in receipt of Small Business Rates Relief (SBRR) and Rural Rates Relief.
- Launching the [Bank of England Covid-19 Corporate Financing Facility \(CCFF\)](#), which aims to provide liquidity for large firms to help them bridge Coronavirus disruption to their cash flows through loans.<sup>10 11</sup>
- prohibiting forfeiture of a lease for non-payment of rent for 3 months to 30 June 2020 (in England, Wales and Northern Ireland).

(Further refinements and new initiatives are discussed in relevant sections of this briefing.)

## The Bank of England

On **Budget Day**, the Bank of England announced four specific measures to help support the economy against the threat posed by coronavirus:

- 1 Reduction of the base rate from 0.75% to 0.25% [and subsequently to 0.1%].<sup>12</sup>
- 2 Introduction of a new “Term Funding scheme with additional incentives for Small and Medium-sized Enterprises (TFSME), financed by the issuance of central bank reserves”, which is intended to support and encourage banks to maintain low-cost lending to SMEs over the next four years.
- 3 Reduction of the UK countercyclical capital buffer rate, which the Bank estimates will allow banks to lend up to £190 billion more to businesses.
- 4 Announcement – via the Prudential Regulation Authority (PRA) – that banks should not increase dividends or bonuses in response to the other actions announced.<sup>13</sup>

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<sup>10</sup> HM Treasury, [Budget 2020: Support for those affected by COVID-19](#), 11 March 2020

<sup>11</sup> HM Treasury, [Chancellor announces additional support to protect businesses](#), 17 March 2020

<sup>12</sup> Bank of England, [Monetary Policy Summary for the special Monetary Policy Committee meeting on 19 March 2020](#), 19 March 2020

<sup>13</sup> Bank of England, [“Bank of England measures to respond to the economic shock from Covid-19”](#), 11 March 2020.

*The Guardian* described the Bank's actions as "[perfectly timed](#)" to coordinate with the Budget. It further reported that the announcement appeared to have led to [a \(temporary\) 2% rise in the FTSE100 index](#).

### 3.1 Responses to the Government's business support measures

There was cross-party support for the emergency coronavirus measures announced in the Budget. Leader of the Opposition, Jeremy Corbyn, said that the "steps the Government have announced today to head off the economic impact of the coronavirus are obviously welcome."<sup>14</sup> However, he criticised the Government's prior handling of the economy and said some of the key challenges of dealing with the business and economic impact of coronavirus outbreak stemmed from this.

#### Business response

Businesses and business leaders welcomed the suite of budget measures. The [National Chairman of the Federation of Small Businesses \(FSB\)](#) said:

Covering the cost of Statutory Sick Pay and emergency measures for the self-employed are particularly welcome. Removing the minimum income floor for those on Universal Credit will bring help to those working hard to keep their businesses going. These are vital contingencies for the UK's 5.8 million-strong small business and self-employed community. There may need to be further steps in the weeks and months ahead. The Bank of England funding package means that there are no excuses for banks not to help, when a small business customer is in distress.<sup>15</sup>

#### Treasury Committee

The [Treasury Select Committee Chair, Mel Stride](#), said the support for small and medium-sized enterprises would be "absolutely vital" in coping with the coronavirus outbreak. He welcomed these measures and said the Committee would want to ensure these support measures are working well, and would look to examine:

- **how quickly support is mobilised**, in particular "whether HMRC is spring-loaded to ensure that businesses are aware of what is available and how to take advantage of it as quickly as possible."
- **whether the support is enough**; and
- **how well targeted the support is**, because "Businesses in particular sectors are hurting more than others. We need to make sure that additional help is provided for them, just as we did in similar circumstances in the 2001 foot and mouth crisis."<sup>16</sup>

As part of its [post-budget scrutiny inquiry](#), the Treasury Committee [heard from Robert Chote, the chairman of the Office for Budget Responsibility \(OBR\)](#) on 17 March 2020. He told the Committee the UK

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<sup>14</sup> HC Deb 11 Mar 2020 [c294](#)

<sup>15</sup> FSB, [Chancellor delivers business contingencies and election commitments](#), 11 March 2020

<sup>16</sup> HC Deb 11 Mar 2020 [c300-301](#)

is facing a “wartime situation” that requires a mass expansion in government spending to support businesses through the worst of the coronavirus outbreak.<sup>17</sup>

The Treasury Committee has since established a separate [inquiry into the economic impact of coronavirus](#), which focuses on “whether the Government’s response to the coronavirus is sufficient, and to suggest areas where more support is needed”.

## Responses to the additional measures

Responding to the Chancellor’s statement setting out these measures, the Shadow Chancellor, John McDonnell said “People are worried, and I am disappointed that today’s package of measures does not really appreciate the urgency or the gravity of the situation for those individuals and their families.”<sup>18</sup> These concerns include:

- whether businesses would want to take on the **extra debt on the Government-backed loans**
- Whether businesses would be able to **access the emergency government backed loans**
- The **scale of the support measures compared with other countries**
- How **companies without requisite insurance policies** would continue to be able to operate.

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<sup>17</sup> Steven Swinford & Gurpreet Narwan, [It’s just like the war, says budget watchdog](#), *The Times*, 17 March 2020

<sup>18</sup> HC Deb 17 Mar 2020 [c933](#)

## 4. Coronavirus Job Retention Scheme

### How can businesses apply to the scheme?

- All UK businesses are eligible for the scheme. Businesses will need to designate workers as “furloughed” and submit information to HMRC, which will administer the scheme.
- The scheme went live on 20 April and will cover a period from 1 March to 30 October 2020 (with employers sharing some costs from August).
- The Government has published [guidance for employers](#), [guidance for employees](#), [guidance on eligibility](#) and [guidance on calculating wages](#), as well as [HM Treasury’s Directions to HMRC on the CJRS](#).
- We provide more detailed information in our briefing [FAQs: Coronavirus Job Retention Scheme](#).

On 20 March, the Chancellor announced an updated package of measures to mitigate the economic impact of coronavirus. For the first time, this included “unprecedented” measures for the Government to “step in and help to pay people’s wages.”<sup>19</sup>

Under the Coronavirus Job Retention Scheme, HMRC will provide a grant to cover 80% of “furloughed employees’” wages, up to a cap of £2,500 per month. HMRC will provide an additional grant to cover the cost of employer National Insurance and auto-enrolment pension contributions. The scheme covers the period from 1 March to 30 June, although the Treasury has published details of how it will be extended to 30 October. Employers may choose to fund the difference between this payment and higher salaries, but do not have to. Employers remain bound by their existing statutory and contractual obligations.

On 15 April, the Government published the [first Treasury Direction](#) (the legislation underpinning the Scheme). On 22 May, the Government published a [second Treasury Direction](#), adapting aspects of the Scheme and extending it to 30 June.

On 29 May, the Treasury published a [factsheet](#) setting out how the Scheme will operate from 1 July to 30 October.

In July, the grants will remain unchanged but employers will be permitted to bring workers back on reduced hours while still claiming under the Scheme for hours not worked.

From August, the Scheme will no longer cover employer National Insurance and pension contributions, although it will still cover 80% of furloughed employees’ wages. The grant will only cover 70% of wages in September and 60% in October, with employers expected to cover the additional 10% and 20%, respectively.

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<sup>19</sup> HM Treasury, [The Chancellor Rishi Sunak provides an updated statement on coronavirus](#), 20 Mar 2020

## Eligibility

All UK businesses are eligible for the scheme, as long as they have a [PAYE payroll](#) that was notified to HMRC on a real-time information (RTI) submission by 19 March 2020. Employees who were on the payroll on or before 28 February or 19 March but who subsequently stopped working can be re-hired and furloughed, although there is no obligation on employers to re-hire former employees.

To benefit from the scheme, businesses will need to do the following:

- Furlough the employee. The [Treasury Direction](#) requires the employer to reach a [furlough agreement](#) with the employee and incorporate it into the employee's contract. The agreement itself need not be in writing but it must be 'confirmed' in writing.
- Submit information to HMRC about the employees that have been furloughed and their earnings through a new [online portal](#). HMRC has produced a [step-by-step guide](#) to making claims and an [online calculator](#) for determining an employee's reference salary.

## Costs that can be reclaimed

Employers can claim 80% of a furloughed employee's reference salary. The rules on calculating reference salary are set out in the [Treasury Direction](#) and are complex.

In order to qualify, employers must continue to pay their staff at least £2,500 per month or 80% of their reference salary if that is lower. Employers can become ineligible if they pay their furloughed employees less than this amount.

Reference salary is calculated differently for 'fixed rate' employees (those with an annual salary) and 'variable rate' employees.

- For **fixed rate** employees their reference salary will be their salary in the last pay period before 19 March.
- For **variable rate** employees their reference salary will be the higher of: a) their average earnings in the 2019/20 tax year; or b) their earnings in the same month in the previous year.

The [guidance on calculating wages](#) says that reference salary includes non-discretionary payments for overtime, commission and fees. However, it excludes discretionary payments such as bonuses, tips and benefits in kind. It also excludes dividends which can cause problems for those who work through owner-managed companies and pay themselves a mix of low PAYE salary and dividends.<sup>20</sup>

Businesses needing short-term cash flow support may be eligible for the [Coronavirus Business Interruption Loan Scheme or the Bounce Back Loans Scheme](#).

Further information can be found in the Commons Library Briefing, [FAQs: Coronavirus Job Retention Scheme \(CBP-8880\)](#).

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<sup>20</sup> Low Income Tax Reform Group, [I'm a director for my own limited company: what support is there for me?](#), 8 April 2020 (accessed 6 May 2020).

## 5. The Self-Employment Income Support Scheme (SEISS)

The [Office for National Statistics \(ONS\) estimates](#) that just over 5 million people – 15% of the UK workforce – are self-employed.<sup>21</sup> Following the announcement of the Government's Job Retention Scheme, there were calls for similar support to be provided to self-employed individuals. Frances O'Grady, General Secretary of the Trades Union Congress, told the BBC's Today programme that the lack of measures put in place for the self-employed "will cause real hardship unless we get to grips with it."<sup>22</sup>

On 26 March, the Chancellor announced the Government would launch the [Self-Employment Income Support Scheme \(SEISS\)](#). The Scheme will pay cash grants worth 80% of total profits, up to £2,500 per month over a three-month period starting from March 2020. The Scheme was opened for applications [on 13 May](#).

[HMRC have updated their detailed guidance on the SEISS](#), which summarises how it works:

The scheme will allow you to claim a taxable grant of 80% of your average monthly trading profits, paid out in a single instalment covering 3 months, and capped at £7,500 altogether. This is a temporary scheme, but it may be extended.

If you receive the grant you can continue to work, start a new trade or take on other employment including voluntary work, or duties as an armed forces reservist.

The grant does not need to be repaid but will be subject to Income Tax and [self-employed National Insurance](#).

There is [other support available](#) if you're not eligible for the grant.

HMRC will work out if you're eligible and how much grant you may get. But you can follow these steps to help you understand how we will do this and what you can do now.

1. Find out [who can claim](#).
2. [Check if you're eligible](#) and get the date you can claim from.
3. Find out [how HMRC works out your grant](#).
4. [Make your claim](#).
5. Find out when you'll [get the money paid into your bank and how to record the grant](#).<sup>23</sup>

The guidance also summarises the eligibility criteria of the Scheme:

### Who can claim

You can claim if you're a self-employed individual or a member of a partnership and all of the following apply:

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<sup>21</sup> ONS, [Labour market economic commentary: March 2020](#), 17 Mar 2020

<sup>22</sup> BBC, [Coronavirus: Self-employed need financial help, unions warn](#), 21 March 2020

<sup>23</sup> HMRC, [Check if you can claim a grant through the Self-Employment Income Support Scheme](#), 13 May 2020

- you traded in the tax year 2018 to 2019 and submitted your Self Assessment tax return on or before 23 April 2020 for that year
- you traded in the tax year 2019 to 2020
- you intend to continue to trade in the tax year 2020 to 2021
- you carry on a trade which has been adversely affected by coronavirus.

Your business could be adversely affected by coronavirus if, for example:

- you're unable to work because you:
  - are [shielding](#)
  - are self-isolating
  - are on sick leave because of coronavirus
  - have caring responsibilities because of coronavirus
- you've had to scale down or temporarily stop trading because:
  - your supply chain has been interrupted
  - you have fewer or no customers or clients
  - your staff are unable to come in to work

You should not claim the grant if you're a limited company or operating a trade through a trust.

To work out your eligibility we will first look at your 2018 to 2019 Self Assessment tax return. Your trading profits must be no more than £50,000 and at least equal to your non-trading income.

If you're not eligible based on the 2018 to 2019 Self Assessment tax return, we will then look at the tax years 2016 to 2017, 2017 to 2018, and 2018 to 2019.<sup>24</sup>

[HMRC offers an online tool for people to check whether they're eligible for the scheme.](#)

HMRC has also published guidance on how different circumstances may affect someone's eligibility ([How different circumstances affect the Self-Employment Income Support Scheme](#), 13 May 2020), and how it determines trading profits and non-trading income for the purpose of the Scheme ([How HMRC works out trading profits and non-trading income for the Self-Employment Income Support Scheme](#), 7 May 2020).

The Commons Library Briefing: [Coronavirus: Self-Employment Income Support Scheme](#) provides further information on eligibility and other frequently asked questions.

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<sup>24</sup> HMRC, [Check if you can claim a grant through the SEISS](#), 13 May 2020

## 6. Statutory Sick Pay (SSP)

### Eligibility for SSP

SSP is the minimum that employers have to pay out to qualifying sick employees. It is currently paid at £95.85 and can be paid for up to 28 weeks. To qualify, for SSP employee's average weekly earnings must be above £120. Some employers may pay enhanced sick pay over and above the SSP rate. This would be detailed in an employment contract. The self-employed are not eligible for SSP.

SSP is payable to an employee who is incapable for work or deemed to be incapable. The [Statutory Sick Pay \(General\) Regulations 1982](#) ('SSP Regulations') set out the circumstances in which a person can be deemed to be incapable for work.<sup>25</sup>

The SSP Regulations, as amended by [SI 2020/374](#) and [SI 2020/427](#), now provide that a person who is self-isolating or shielding in line with official public health guidelines is eligible for SSP. Pregnant women will generally not be eligible for SSP unless they are classed as extremely clinically vulnerable and have been advised to shield.<sup>26</sup>

SSP is normally paid from the fourth 'qualifying day' (usually the fourth day of absence from work).<sup>27</sup> However, by virtue of [SI 2020/374](#), where a person's incapacity for work relates to coronavirus, SSP is paid from the first qualifying day.

### SSP and NHS Test and Trace

On 28 May 2020 the [NHS Test and Trace scheme](#) launched in England. Similar schemes have launched in [Scotland](#), [Wales](#) and [Northern Ireland](#). On 27 May the Government laid before Parliament the [Statutory Sick Pay \(General\) \(Coronavirus Amendment\) \(No. 4\) Regulations 2020](#). These extend the right to SSP to anyone who self-isolates for 14 days after receiving a "relevant notification" from public health bodies.

### Coronavirus Statutory Sick Pay Rebate Scheme

On 26 May the Government launched the Coronavirus Statutory Sick Pay Rebate Scheme. Detailed rules are set out in the [Statutory Sick Pay \(Coronavirus\) \(Funding of Employers' Liabilities\) Regulations 2020](#). The Government has also published [guidance for employers](#).

The Rebate Scheme is available to employers who had fewer than 250 employees on its PAYE scheme(s) as of 28 February 2020. Eligible employers can reclaim up to two weeks of SSP payments made to employees who were incapable of work because they:

- had symptoms of Covid-19 on or after 13 March 2020;

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<sup>25</sup> Reg. 2, SI 1982/894.

<sup>26</sup> Michael Ford QC and Karon Monaghan QC, [Statutory Sick Pay, the Coronavirus Job Retention Scheme and Pregnant Workers](#), UK Labour Law Blog, 28 April 2020.

<sup>27</sup> Section 155, [Social Security Contributions and Benefits Act 1992](#).

- had to self-isolate in accordance with public health guidelines on or after 13 March 2020;
- had to shield in accordance with public health guidelines on or after 16 April 2020; or
- self-isolated on or after 28 May after receiving a notification from a public health body that they had been in contact with someone with coronavirus.

Employers can reclaim the payments at the statutory rate of £95.85 per week (£94.25 for payments made before 6 April 2020).

Claims can be made through an [online portal](#) which lists the various pieces of information an employer will need to make a claim.

Background information can be found in the Commons Library briefing, [Coronavirus Bill: Statutory Sick Pay & National Insurance Contributions \(CBP-8864\)](#).

## 7. Business loans

### How do businesses apply for this support?

- The schemes are overseen by the British Business Bank and funds are made available through banks and other accredited lenders.
- Businesses should first contact their financial provider, although they may also approach others for the support they need. There is information for [businesses](#) and [lenders](#) as part of the [British Business Bank's overall online guidance](#).
- After many applicants were rejected for lack of sufficient security or offered alternative products, eligibility for the scheme was widened on 2 April, although concern about the level of disbursement continues.
- On 16 April, the Government announced an extension of the scheme to businesses with a turnover of more than £45 million.
- On 27 April, the Chancellor announced a simplified system of Bounce Back Loans of up to £50,000. These offer 100% backing by the Government.

The Government has established three main schemes to provide loans to businesses of different sizes affected by coronavirus:

- 1 All businesses – **Bounce Back Loans** (BBLs) of up to £50,000 or 25% of turnover. The scheme offers streamlined application procedures and loans will be 100% backed by the Government.
- 2 Small and medium businesses – the **Coronavirus Business Interruption Loan Scheme** (CBILS) offers loans of up to £5m for businesses with a turnover under £45 million. The loans are 80% backed by the Government.
- 3 Large businesses – **Coronavirus Larger Business Interruption Loan Scheme** (CLBILS) extends the standard CBILS approach to larger businesses.

CBILS was the original loan scheme. The other schemes were developed after concerns about accessibility of funding and slow spending. This section outlines the features of the schemes before discussing the background to the schemes, revisions, and continuing policy issues.

There are two further general loans schemes. The [coronavirus Future Fund](#) will be available to businesses such as start-ups that are ineligible for the three schemes that have developed from CBILS. The [Covid Corporate Financing Facility](#) is available to very large firms.

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

As part of Budget 2020, the Government announced a new Coronavirus Business Interruption Loan Scheme (CBILS).<sup>28</sup>

<sup>28</sup> HM Treasury, [Budget 2020: Support for those affected by COVID-19](#), 11 March 2020

CBILS offers loans and similar facilities of up to £5 million to businesses with a turnover of up to £45 million. Loans are interest-free for the first 12 months.

The scheme went live on 23 March 2020 and was updated on 2 April 2020, with further widening of the scheme on 16 April 2020 to offer similar support to larger businesses through [CLBILS](#). A simpler scheme for small businesses, [Bounce Back Loans](#), was announced on 17 April.

## Who can apply?

Smaller businesses from all sectors<sup>29</sup> can apply for the full amount of the loan. To be eligible for a facility under **CBILS**, an SME must:

- Be UK-based in its business activity, with annual turnover of no more than £45m
- Have a borrowing proposal which, were it not for the current pandemic, would be considered viable by the lender.
- Be UK-based in its business activity
- Have an annual turnover of no more than £45 million
- Have a borrowing proposal which the lender would consider viable, were it not for the current pandemic
- Self-certify that it has been adversely impacted by the coronavirus (COVID-19)
- Not have been classed as a [“business in difficulty”](#)<sup>30</sup> on 31 December 2019, if applying to borrow £30,000 or more.

More information about this scheme and updates can be found [in an FAQ paper](#), and on the [British Business bank Covid-19 page](#).

## What’s on offer?

The scheme provides facilities of up to £5m for smaller businesses across the UK who are experiencing lost or deferred revenues, leading to disruptions to their cashflow.

CBILS supports a wide range of business finance products, including **term loans, overdrafts, invoice finance and asset finance**. The scheme provides the lender with a government-backed guarantee.

The maximum value of a facility provided under the scheme will be **£5m, available on repayment terms of up to six years** for loans and asset finance.

The scheme provides the lender with **a government-backed, partial guarantee (80%)** against the outstanding facility balance.

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<sup>29</sup> The following trades and organisations are not eligible to apply: Banks, Building Societies, Insurers and Reinsurers (but not insurance brokers); The public sector including state funded primary and secondary schools; Employer, professional, religious or political membership organisation or trade unions.

<sup>30</sup> This is a potentially complex idea. There are similar constraints relating to insolvency and voluntary agreements in other support schemes, but approaches and limits vary. For CBILS, see British Business Bank, [“FAQs for SMEs: Coronavirus Business Interruption Loans Scheme”](#).

There will be **no fee for smaller businesses**. Lenders will pay a fee to access the scheme. For overdrafts and invoice finance facilities, terms will be up to three years.

The Government will make a **Business Interruption Payment to cover the first 12 months of interest payments and any lender fees**.

**The borrower always remains 100% liable for the debt.**

Smaller businesses will benefit from no upfront costs and lower initial repayments. Fishery, aquaculture and agriculture businesses may not qualify for the full interest and fee payment.

At the discretion of the lender, the scheme may be used for unsecured lending for facilities of £250,000 and under.

Initially, the scheme required security for facilities above £250,000. It also limited support to businesses that could not be offered support on normal commercial terms. [These requirements were changed as the scheme progressed](#).

## How to apply

CBILS is available through the British Business Bank's [accredited lenders](#). These include high-street banks, challenger banks, asset-based lenders and smaller specialist local lenders. Different lenders may offer different facilities.

Businesses should normally apply to their own provider first – ideally via the lender's website. They may also approach other lenders for the type of support they need.

The [British Business Bank](#) oversees CBILS and accredits lenders. It publishes [overall guidance](#) and more detailed information for [businesses](#) and [lenders](#).

Decision-making on applications is fully delegated to the accredited lenders. On 25 March, the [Chancellor, Governor of the Bank of England, and CEO of the Financial Conduct Authority together wrote to Britain's banking sector](#) with a warning not to allow fundamentally viable companies to collapse because of the coronavirus crisis.

The priority for all of us - banks, building societies, government and the financial authorities - should now be to take all action necessary to ensure that the benefits of the measures outlined above are passed through to businesses and consumers. This will require a willingness to maintain and extend lending despite the uncertain economic conditions. We must ensure that firms whose business models were viable before this crisis remain viable once it is over.<sup>31</sup>

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<sup>31</sup> HM Treasury, [Letter from Chancellor, Governor of Bank of England, CEO of FCA: COVID and Bank lending](#), 25 March 2020

## 7.2 Coronavirus Larger Business Interruption Loan Scheme (CLBILS)

The Coronavirus Larger Business Interruption Loan Scheme (CLBILS) was announced on 16 April in an attempt to offer more help to businesses with a larger turnover.

### Who can apply?

CLBILS eligibility is generally similar to the original CBILS scheme, but intended for larger businesses. The [British Business Bank advises](#) that it is open to businesses that:

- are based in the UK and have an annual turnover of more than £45 million
- “have a borrowing proposal which, were it not for the current pandemic, would be considered viable by the lender, and for which the lender believes the provision of finance will enable the business to trade out of any short-to-medium term difficulty”
- have not received support under the Bank of England’s [Covid Corporate Financing Facility \(CCFF\)](#).

Although the scheme is open to “businesses from all sectors”, it excludes “credit institutions (falling within the remit of the Bank Recovery and Resolution Directive), building societies, insurers and reinsurers (but not insurance brokers), public-sector bodies, further-education establishments, if they are grant-funded, state-funded primary and secondary schools”.

### What’s on offer?

The British Business Bank has published [an outline of the scheme](#). It differs from CBILS most importantly in being targeted at larger firms and limiting loan terms to three years:

The new CLBILS scheme will support term loans, revolving credit facilities (including overdrafts), invoice finance and asset finance facilities. It is designed to give lenders greater confidence to provide funding by providing a partial guarantee of 80% of the outstanding facility balance.

- **Up to £50m facilities:** up to £50m for those with a turnover of over £250m, and of up to £25m for businesses with turnover from £45m up to £250m.
- **80% guarantee:** The scheme provides the lender with a government-backed, partial guarantee (80%) against the outstanding facility balance.
- **Finance terms:** Finance terms are from three months to three years.
- **Economic benefits go to the borrower:** Borrowers will benefit from a proportionate reduction in pricing in return for lenders receiving capital and risk benefits.
- **Personal guarantees:** No personal guarantees are permitted for facilities under £250,000. For facilities of £250,000 and over, claims on personal guarantees cannot

exceed 20% of losses after all other recoveries have been applied.

- **The borrower always remains 100% liable for the debt.**

The announcement also notes that borrowers and lenders “are still free to enter into loan agreements outside of CLBILS e.g. where there is no economic benefit to the borrower of taking out a CLBILS loan over normal commercial lending”.

### How to apply

Businesses should apply to accredited lenders. [The British Business Bank is developing accreditation from those accredited to offer the existing CBILS scheme:](#)

CLBILS will be available through a range of British Business Bank accredited lenders and partners, which will be [listed on the British Business Bank website](#). Existing CBILS lenders can seek expedited accreditations to become Lenders under the CLBILS scheme. The Bank expects to accredit a number of existing CBILS lenders shortly and is publishing a request for proposals documents making the scheme available to new lenders.

## 7.3 Bounce Back Loans (BBLs)

[The Chancellor announced a new, simplified loan scheme](#) on 17 April. The [Bounce Back Loans Scheme \(BBLs\)](#) opened on 4 May. It responds to concerns about access to rapid loan support. The simplified process and the 100% guarantee are intended to ensure that funds reach businesses “within days”. Although the BBLs had been presented as particularly helpful to small businesses, it is open to firms of any size.

### Who can apply?

The [British Business Bank’s guidance for the scheme](#) sets out the following conditions for eligibility:

Your business must be able to self-declare to the lender that it:

- has been impacted by the coronavirus (COVID-19) pandemic
- was **not** a [business in difficulty](#) at 31 December 2019 (if it was, you must confirm your business complies with additional state aid restrictions under de minimis state aid rules)
- is engaged in trading or commercial activity in the UK and was established by 1 March 2020
- is **not** using the Coronavirus Business Interruption Loan Scheme (CBILS), the Coronavirus Large Business Interruption Loan Scheme (CLBILS) or the Bank of England’s Covid Corporate Financing Facility Scheme (CCFF), unless the Bounce Back Loan will refinance the whole of the CBILS, CLBILS or CCFF facility
- is **not** in bankruptcy or liquidation or undergoing debt restructuring at the time it submits its application for finance

- derives more than 50% of its income from its [trading activity](#) (this requirement does not apply to charities or further-education colleges)
- is **not** in a restricted sector.<sup>32</sup>

## What's on offer?

BBL offers:

- Loans for six years of £2,000 to £50,000, up to 25% of the business's turnover
- A 100% government-backed guarantee to the lender for the full outstanding balance of the loan (although the borrower remains 100% liable for the debt)
- A Government Business Interruption payment to cover the first 12 months' interest on the loan
- No repayment requirement for the first 12 months
- An annual interest rate of 2.5% for all loans.

Businesses that have already received support under CBILS are also excluded, although there are provisions for them to transfer CBILS loans of up to £50,000 to the new scheme.

## How to apply

As in the other schemes, businesses should apply to [an accredited lender](#). They should normally approach their own provider first, but may apply to others if they can't get the support they want.

One of the main attractions of the scheme is its comparatively simple application process. It is based on [seven questions on an online form](#).

[Lenders will decide on applications](#). Successful loans "will be subject to appropriate customer fraud, Anti-Money Laundering (AML) and Know Your Customer (KYC) checks. Some state aid restrictions may apply to your application."

It is likely that there will be heavy demand for the new scheme. Before the scheme was launched, there were [reports that lenders were concerned](#) about promises of quick turnaround times and potential conflict with the Consumer Credit Act.

## 7.4 Relaxation of lending criteria

[Business owners and MPs criticised some banks](#) for insisting on **personal guarantees** to support CBILS facilities under the original scheme.<sup>33</sup>

Speaking to the BBC, Chair of the SME Alliance, business owner Andy Keats, said that while business owners were grateful for the recognition that most firms will need help to survive the crisis:

Business owners and MPs criticised banks for insisting on personal guarantees or for directing them to other, more expensive products.

<sup>32</sup> The guidance notes that these are credit institutions falling within the remit of the Bank Recovery and Resolution Directive, insurance companies, public-sector organisations and state-funded primary and secondary schools

<sup>33</sup> Andy Verity, [Banks under fire for coronavirus loan tactics](#), BBC, 26 Mar 2020

"Yet again, it is the banks and not businesses who will receive the funds to help SMEs.

We would appreciate some clarity because, as things stand, the proposed loans mean the banks have no risk, the government has a small risk and businesses and their officers have 100% risk."<sup>34</sup>

There were also concerns that lenders were directing businesses to **other, more expensive products**, although banks argued that this resulted from the government's own rules for the scheme. As [the BBC reported](#):

Many companies have told the BBC that the scheme isn't working for them, with some turned down for a government-backed loan and others told they may have to wait weeks.

The planned rule change follows a furious behind-the-scenes row between the banks and the government over whose fault it is that too few emergency loans have been offered to businesses in need.

Privately, the banks say it's the government's rules that are in the way. They are required to lend to firms on normal commercial terms if they can - and only businesses that can't get a traditional loan qualify for the scheme.

But the Treasury is now reportedly planning to scrap that rule so that banks can lend faster.

Another obstacle has been the demand from banks that company directors put their own assets at risk by signing personal guarantees when borrowing £250,000 or more. That is also expected to be addressed.

On 2 April the Government made changes to the scheme that responded to these concerns, summarised as follows:

- No personal guarantees for facilities under £250k: Personal guarantees of any form cannot be taken under the scheme for any facilities below £250k.
- Personal guarantees for facilities above £250k: Personal guarantees may still be required, at a lender's discretion, but recoveries under these are capped at a maximum of 20% of the outstanding balance of the CBILS facility after the proceeds of business assets have been applied. A Principal Private Residence (PPR) cannot be taken as security to support a personal guarantee or as security for a CBILS backed facility.
- Security: For all facilities, including those over £250,000, CBILS can now support lending to smaller businesses even where a lender considers there to be sufficient security, making more smaller businesses eligible to receive the business interruption payment.

The Government announced that these changes should be retrospectively applied by lenders for any CBILS facilities offered since 23 March 2020. Applicants initially directed to other products could ask to be transferred onto CBILS, or to have earlier decisions reconsidered.

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<sup>34</sup> As quoted in Andy Verity, [Banks under fire for coronavirus loan tactics](#), BBC, 26 Mar 2020

Later in the month, after the Chancellor announced the new Bounce Back Loans Scheme, [UK Finance issued a joint statement with the seven largest SME lenders on 27 April](#) noting that they would relax requirements about forward viability:

Lenders are working hard to ensure we provide support swiftly and responsibly and we will continue to work closely with customers to help them identify the finance that is right for their business and financial circumstances. Following the changes to the scheme announced today lenders will only ask businesses for information and data they might reasonably be able to provide at speed and we will not require the provision of forward-looking financial information or business plans from businesses applying for CBILS-backed lending, relying instead on our own information to assess credit and business viability.

The seven lenders involved were Barclays, Danske, HSBC, Lloyds, Natwest, Santander and Virgin Money.

This has led to some rewording of the eligibility requirements, from noting that businesses should:

- Have a borrowing proposal which, were it not for the COVID-19 pandemic, would be considered viable by the lender, and for which the lender believes the provision of finance will enable your business to trade out of any short-to-medium term difficulty

to:

- Have a borrowing proposal which the lender would consider viable, were it not for the current pandemic

Again, this change of emphasis may mean that applications rejected before late April may be successful if made again.

## 7.5 Concerns about access

### Speed of spend

CBILS disbursed £450 million (through 2500 loans) between Friday 3 and Wednesday 8 April, [the Financial Times reported continuing delays and frustration](#), with some observers contrasting the UK scheme unfavourably with what they described as a much simpler system operating in Switzerland:

The SFr40bn package of emergency loans — first announced on March 25 with 121 lenders participating — managed to disburse SFr15bn (£12.4bn) to 76,034 businesses in its first week, 28 times as much as the UK equivalent has in three weeks.

Swiss companies need only fill out a one-page form for an interest-free, government-guaranteed loan of as much as 10 per cent of their annual revenue, capped at SFr500,000. Some have reported the money is in their accounts within 30 minutes.

On 15 April [UK Finance reported that £1.115 billion had been allocated](#) through 6,020 loans under CBILS:

The banking and finance sector has lent over £1.1 billion to SMEs so far through the Coronavirus Business Interruption Loan Scheme (CBILS), UK Finance has revealed today. Total lending under the

scheme has grown by £700 million in the last week, an increase of 150 per cent.

6,020 loans have now been provided through CBILS, more than double the number that had been provided one week ago. The number of loans approved each day continues to rise, increasing from 240 on 2 April to 910 on 8 April, with a further 1,800 loans worth over £300 million recorded over the bank holiday weekend.

Total lending under the scheme has increased rapidly from £453 million on 6 April to £1.115 billion a week later, while the average value of a CBILS loan has grown to over £185,000.

Lenders have received 28,460 formal applications to the scheme from businesses. Over 6,000 of these applications have been approved already, while others are still being processed and are expected to be approved over the coming days.

Despite the gradual increase in funds disbursed, [frustrations and concerns about the scheme continued](#), particularly when the speed of funding was compared with Switzerland. *The Financial Times* reported [similar delays in Germany, France and Italy](#), with growing international interest in the Swiss approach. Much of this concern appears to have dissipated since the launch of Bounce Back Loans.

By 11 May, the three schemes had allocated almost **£15 billion** through over **304,000** “approved facilities”. They had received more than 435,000 applications.<sup>35</sup> Bounce Back Loans accounted for over 88% of applications approved and 56% of total funds disbursed, despite being launched just over a week earlier.

## Government guarantee

A particular area of interest is the **100% government guarantee** for Swiss loans, compared with 80% in the UK. The shadow business secretary, [Ed Miliband – among others – has called for an expansion of the guarantee](#):

“These figures show that the CBIL scheme is simply not working well enough. We need change now. The chancellor must move to a 100% guarantee of loans for smaller businesses as other countries have done. In this economic emergency, it is the right thing to do,” Miliband said. “In the coming days, businesses are facing critical decisions about their future.”

The Chancellor, Rishi Sunak, said that [he was open to considering improvements to the scheme](#):

Rishi Sunak said that he would look at other countries to see if the government “could learn and improve” on the bailout scheme for small businesses, which provides loans of up to £5m on an interest-free basis and 80 per cent guaranteed by the government.

The government has faced calls to consider adopting similar schemes to those in Switzerland and Germany, where state guarantees of 100 per cent of loans have sped up help to businesses.

There was continued criticism of the slow disbursement of CBILS funds, with calls for an increase for full government backing of loans.

<sup>35</sup> HM Treasury, “[Chancellor extends furlough scheme until October](#)”, 12 May 2020 (accessed on 14 May 2020)

[...]

Mr Sunak said there was an argument for looking at this, but he added that this approach might stop banks from doing credit checks, saying that there was an “economic and fiscal question” about whether it was the “right intervention” for the UK. He said that the UK did not necessarily have the “historic systems” that allowed other countries to deliver these schemes.

But on 27 April, he stated that he was not convinced by the arguments to extend the loan guarantee to 100% (beyond the new Bounce Back loans scheme). He cited the potential future burden on taxpayers and argued that the UK’s wider package of support was more generous than those offered elsewhere, including Switzerland.<sup>36</sup>

The Shadow Chancellor, Anneliese Dodds, welcomed the new initiative, but again noted the comparative speed of Switzerland in releasing funds, and that “the UK has an enormous mountain to climb”.<sup>37</sup>

The Bounce Back Loans Scheme, launched on 4 May, offers a 100% guarantee for loans of up to £50,000.

## 7.6 Future Fund

The range of loans available businesses did however exclude some businesses, notably [“unprofitable” start-ups](#).

As a result, BEIS and HM Treasury launched the [Future Fund](#), which they describe as follows:

The Future Fund provides government loans to UK-based companies ranging from £125,000 to £5 million, subject to at least equal match funding from private investors.

These convertible loans may be an option for businesses that rely on equity investment and are unable to access other government business support programmes because they are either pre-revenue or pre-profit.

The scheme is delivered by the [British Business Bank, which in turn notes](#) that “the Government has made £250 million available for the Future Fund, and will keep this amount under review”. Applications may be made until the end of September.

### Who can apply?

The Government states that a business is eligible to apply if:

- it is UK-incorporated - if your business is part of a corporate group, only the parent company is eligible
- it has raised at least £250,000 in equity investment from third-party investors in the last 5 years
- none of its shares are traded on a regulated market, multilateral trading facility or other listing venue
- it was incorporated on or before 31 December 2019
- at least one of the following is true:

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<sup>36</sup> HC Deb 27 April 2020 [c108-111](#)

<sup>37</sup> HC Deb 27 April 2020 [c109-110](#)

- half or more employees are UK-based
- half or more revenues are from UK sales

There is an [online eligibility checker](#).

Very importantly, though, applications must be made jointly by the business and one or more investors, [as set out below](#).

## What's available?

[The British Business Bank outlines what the Future Fund offers](#) as follows:

The Future Fund loan amount provided to the company ranges from £125,000 to £5 million.

Amounts of Future Fund loans must be at least matched by co-investment from investors.

Funding must not be used to (a) repay any borrowings; (b) pay any dividends; (c) pay any bonuses; (d) pay any advisory fees.

The loans will have a minimum of 8% per annum (non-compounding) interest charge applied. This interest will be higher if the company and the investor(s) agree between themselves. Unlike a typical bank loan, the interest is not payable on a monthly basis and instead will accrue until the loan converts. At this point, the interest will either be repaid or convert in equity.

The loan will mature after 36 months.

The loan cannot be repaid early by the company other than with the agreement of all of the investors.

The loans will convert into shares in the company in certain circumstances, including an exit or a new funding round.

Investors and the Future Fund both invest using a convertible loan agreement, which is predefined and cannot be negotiated.

## How to apply

The initial application must be made by an investor (or group) of investors [via the British Business Bank website](#). There are [strict criteria that all investors must meet](#).

The investor must provide "key investment details". These are then confirmed by the business, which also submits a full application.

All parties to successful applications will execute [an agreement](#) and meet certain conditions before funds are released.

## 8. Covid Corporate Financing Facility

As part of the further measures announced on 17 March, the Bank and the Treasury launched a Covid Corporate Financing Facility (CCFF). This:

...will help businesses across a range of sectors to pay wages and suppliers, even while experiencing severe disruption to cashflows.

The facility will offer financing on terms comparable to those prevailing in markets in the period before the Covid-19 economic shock, and will be open to firms that can demonstrate they were in sound financial health prior to the shock. The facility will look through temporary impacts on firms' balance sheets and cash flows by basing eligibility on firms' credit ratings prior to the Covid-19 shock.<sup>38</sup>

The scheme is open to **larger firms** whether or not they have previously sought credit in this way. It will operate for at least 12 months. The Bank has set out [overall guidance about eligibility](#) and notes that the scheme is "normally" intended for:

UK incorporated companies, including those with foreign-incorporated parents and with a genuine business in the UK; companies with significant employment in the UK; firms with their headquarters in the UK. We will also consider whether the company generates significant revenues in the UK, serves a large number of customers in the UK or has a number of operating sites in the UK.<sup>39</sup>

UK Finance provides further coordination of the scheme and [lists main contacts](#).

This scheme complements the original [Coronavirus Business Interruption Loans Scheme \(CBILS\)](#), which is intended for small and medium firms. Larger businesses that have not received support under CCFF are eligible to apply for the [Coronavirus Larger Business Interruption Loans Scheme](#).

The Telegraph reported on 25 April that CCFF appeared to be operating successfully, particularly in comparison with CBILS. But it criticised the lack of detail about the recipients of support:

The Bank of England revealed on Thursday that it had bought £10.7bn of commercial paper issued by 35 companies. A further 40 big businesses have won approval to draw a further £28.4bn. Another 101 companies have been approved in principle to borrow sums yet to be determined.

It seems the scheme is performing its intended task well, which is to ensure important employers have access to enough cash to stay afloat through the crisis. Yet for some reason, the taxpayer is not allowed to know which companies have benefited from up to £1bn of public support.

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<sup>38</sup> Bank of England, "[HM Treasury and the Bank of England launch a Covid Corporate Financing Facility \(CCFF\)](#)", 18 March 2020.

<sup>39</sup> Bank of England, "[Covid Corporate Financing Facility \(CCFF\): information for those seeking to participate in the scheme](#)", 20 March 2020.

The Bank of England says “the names of issuers and securities purchased or eligible will not be made public”. It even requires applicants to sign a confidentiality agreement. To their credit, easyJet and the baker Greggs have told the world they have used CCFE. Housebuilders such as Redrow revealed they have the scheme. Have they breached a confidentiality agreement to do so? We don't even know that.

## 9. HMRC Time to Pay service

### Time to Pay Service Helpline

HMRC has set up a dedicated Covid-19 helpline for advice and support. The helpline number is 0800 024 1222. Opening hours are Monday to Friday 8am to 8pm, and Saturday 8am to 4pm. The helpline will not be available on Bank Holidays.<sup>40</sup>

The HMRC Time To Pay service is being scaled-up, which will allow businesses and the self-employed to defer tax payments over an agreed period of time.

This service was introduced in response to the 2008 economic crisis.<sup>41</sup> HMRC may grant a business an additional amount of time to pay their bill without charging statutory penalties on the late payment. To be eligible businesses would have to demonstrate that they were in genuine difficulty, unable to pay their tax on time, and were likely to be able to pay if HMRC allowed them more time. HMRC have detailed guidance on its Time to Pay arrangements in its [Debt Management and Banking Manual](#) – from [para 800000](#) – there is a useful overview at [para 800040](#).<sup>42</sup>

In its factsheet on government support for those affected by coronavirus, the Treasury underlines that Time to Pay arrangements are agreed “on a case-by-case basis and are tailored to individual circumstances and liabilities.”<sup>43</sup> The Budget report states that “HMRC will also waive late payment penalties and interest where a business experiences administrative difficulties contacting HMRC or paying taxes due to Covid-19.”<sup>44</sup>

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<sup>40</sup> HMRC press notice, [Tax helpline to support businesses affected by coronavirus \(COVID-19\)](#), 11 March 2020

<sup>41</sup> HMRC, [Business Payment Support Service - additional information for tax agents and advisers](#), November 2008

<sup>42</sup> See also, HMRC, [Find out how to pay a debt to HMRC with a time to pay arrangement](#), 20 January 2020

<sup>43</sup> HM Treasury, [Support for those affected by Covid-19](#), 11 March 2020

<sup>44</sup> [Budget 2020](#), HC 121, March 2020 [para 1.102](#)

## 10. Tax deferrals

### Eligibility and applying

- Businesses do not need to apply to **defer their quarterly tax return** for the period 20 March to 30 June 2020.
- Individuals who pay tax through self-assessment and are liable to make a payment on account on 31 July 2020 may **defer their payment on account until 31 January 2021**. Taxpayers do not need to make an application for deferring this payment.
- For further information, see the HMRC [guidance on this scheme](#).
- The Low Income Tax Reform Group also provides [general guidance and explanation of tax and other issues](#).

### VAT

Generally, businesses are required to submit a VAT return and pay the VAT they owe on a quarterly basis.<sup>45</sup> In his statement on 20 March the Chancellor announced that the next quarter of VAT payments would be deferred. Details are given on the Government's Business Support site.<sup>46</sup>

The deferral will apply from 20 March to 30 June 2020 and will be offered automatically so that businesses will not be required to make an application. All VAT-registered businesses will be eligible. Taxpayers will be given until the end of the 2020-21 tax year to pay any liabilities that have accumulated during the deferral period. VAT refunds and reclaims will be paid by the government as normal. HMRC have advised that customers who normally pay by direct debit should cancel their direct debit with their bank if they are unable to pay. They should do in sufficient time so that HMRC do not attempt to automatically collect on receipt of your VAT return.

On 26 March HMRC issued further [guidance on this scheme](#).<sup>47</sup> This underlines that HMRC will not charge interest or penalties on any amount deferred as a result of the Chancellor's announcement. Businesses will still need to submit their VAT returns on time. VAT payments due following the end of the deferral period will have to be paid as normal, and HMRC have stated that further information about how to repay deferred VAT will be available soon.

In [a further update on 3 April](#), HMRC clarified that "If you choose to defer your VAT payment as a result of coronavirus (COVID-19), you must pay the VAT due on or before 31 March 2021".

### Self-Assessment July 2020 Payment on Account

Generally individuals, including the self-employed, who file an annual tax return under self-assessment are required to make two 'payments of account' during the year, which are advance payments on their tax bill:

<sup>45</sup> HMRC, [VAT returns](#), retrieved March 2020

<sup>46</sup> HMG, [Business Support: VAT deferral](#), retrieved 26 March 2020

<sup>47</sup> HMRC, [Deferral of VAT payments due to coronavirus \(COVID-19\)](#), 26 March 2020. See also, Chartered Institute of Taxation, [Deferral of VAT payments due to coronavirus \(COVID-19\)](#), 27 March 2020

by 31 January and by 31 July.<sup>48</sup> In his statement on 20 March the Chancellor announced that the next self-assessment payments would be deferred until January 2021.

Details are given on the Government's Business Support site.<sup>49</sup> The self-assessment payment on account that is ordinarily due to be paid to HMRC by 31 July 2020 may now be deferred until January 2021. The deferment is optional and any persons who wish to pay their second self-assessment payment on account on 31 July 2020 may do so. This is an automatic offer with no applications required. No penalties or interest for late payment will be charged if someone defers payment of their July 2020 payment on account until January 2021.

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<sup>48</sup> HMRC, [Understand your Self Assessment tax bill](#), retrieved March 2020

<sup>49</sup> HMG, [Business Support: Income tax deferral for the self-employed](#), retrieved 26 March 2020

# 11. Temporary rates relief

## How can I find out more about the rates reliefs?

- Local authorities deal with enquiries about the reliefs discussed here. The Government [published guidance for local authorities](#) in England on the application of the expanded retail discount on 25 March and [guidance on grants for small businesses](#) on 24 March.
- The Government announced plans for further support in England through a [Discretionary Grants Fund](#) on 2 May.
- You can read more about business rates in the Library briefing paper [Business rates](#).

The Government has instituted extensive relief from business rates for particular classes of businesses as part of its response to coronavirus.

Most of these schemes do not require legislation: in legal terms, they consist of Government commitments to fund local discretionary discounts for certain classes of property.

These reliefs also attract a New Burdens assessment, meaning that billing authorities can anticipate assistance from Government with the costs of implementation.<sup>50</sup> Additionally, funds for rate relief provided for England by the UK Government engage the Barnett formula, meaning that new reliefs in England result in additional funds for the devolved governments in Scotland, Wales and Northern Ireland.

A series of extended reliefs had already been announced in a Written Statement on 27 January 2020.<sup>51</sup> Some of these reliefs were extended further in the Budget speech on 11 March 2020.<sup>52</sup> Yet more extensions were announced in a speech on 17 March 2020.<sup>53</sup>

On 2 May [the Government announced an additional £617 million in funding](#) alongside England’s Small Business Grants and Retail, Hospitality and Leisure Grants schemes. This has been termed the “Local Authority Discretionary Grants Fund”.

## 11.1 Retail, leisure and hospitality relief

### England

On 17 March 2020, the Government announced that it was “giving all retail, hospitality and leisure businesses in England a 100% business rates holiday for the next 12 months”.<sup>54</sup> **It’s important to note that this support is [only available to businesses that are directly liable](#)**

<sup>50</sup> DCLG, [Business Rates Information Letter 2017/4](#), page 3; [HCWS 64 2019-21](#), 27 January 2020

<sup>51</sup> [HCWS 64 2019-21](#), 27 January 2020

<sup>52</sup> HM Treasury, [Budget 2020](#), p. 40

<sup>53</sup> HM Treasury, [Chancellor announces additional support to protect businesses](#), 17 March 2020

<sup>54</sup> HM Treasury, [Chancellor announces additional support to protect businesses](#), 17 March 2020

**[for business rates](#) – so sub-tenants and others that don't receive a rates bill won't be eligible.**

This built upon the 2020 Budget statement on 11 March, in which the Chancellor provided 100% relief for all retail properties with a rateable value of £51,000 and under. This relief was also made available to the “hospitality and leisure sectors”.<sup>55</sup>

The Government originally published guidance on the definition of retail properties and music venues in January 2020.<sup>56</sup> The guidance was updated on 25 March 2020 to include definitions of the “hospitality and leisure” sectors. A further publication on 25 March 2020 extended the retail relief scheme to estate agents, letting agents and bingo halls.<sup>57</sup> The guidance includes a number of examples of types of property that will and will not be eligible for relief. Properties of any rateable value will be eligible for the relief. The relief will be available to properties that have had to close as a result of coronavirus, but properties that are unoccupied will **not** be eligible.

The Government will compensate local authorities fully for any forgone revenue arising from this relief scheme.<sup>58</sup>

Previously, a written statement in January 2020 had announced a 50% discount for retail properties, cinemas and live music venues with a rateable value of £51,000 and under for 2020-21.<sup>59</sup> This built upon reliefs available in 2019-20, of one third off all business rates bills for retail properties with a rateable value of £51,000 and under.

A retail relief scheme also existed in the 2014-15 and 2015-16. This provided a flat-rate discount to all retail properties with a rateable value of £50,000 or below, of £1,000 in 2014-15 and £1,500 in 2015-16.<sup>60</sup> The Government also reimbursed local authorities for revenue forgone under this relief.

## Wales

On 17 March 2020 the Welsh Government announced a scheme extending the same level of relief offered in England to the retail, leisure and hospitality sectors in Wales.<sup>61</sup>

## 11.2 Small business grant funding England

To support businesses affected by coronavirus, the Chancellor's 17 March statement provided that all businesses currently eligible for Small

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<sup>55</sup> HM Treasury, [Budget 2020](#), p. 40

<sup>56</sup> MHCLG, [Business rate retail relief: guidance](#), 27 Jan 2020. See also an earlier guidance document from November 2018 at the same link.

<sup>57</sup> HM Treasury, [Covid-19: Estate agents, lettings agencies and bingo halls to pay no business rates this coming financial year](#), 25 March 2020

<sup>58</sup> See HM Treasury, [Chancellor of the Exchequer Rishi Sunak on Covid-19 response](#), 17 Mar 2020

<sup>59</sup> [HCWS 64 2019-21](#), 27 January 2020

<sup>60</sup> DCLG, [Business rates retail relief: guidance](#), January 2015

<sup>61</sup> Welsh Government, [Emergency support for businesses hit by coronavirus](#), 17 March 2020

Business Rate Relief or Rural Rate Relief would be eligible for a grant of £10,000 in 2020-21.

This was an increase from a £3,000 grant made available in the 11 March Budget statement.

Separately, businesses in the retail, leisure and hospitality sectors that are eligible for full business rate relief, and which occupy properties with a rateable value of £51,000 or under, will be entitled to a grant of £25,000 in respect of **each qualifying property** that they occupy in 2020-21.<sup>62</sup> A property must be occupied to be eligible for the grant.

This funding will be made available as a grant to local authorities, which will then distribute the sum to eligible businesses.<sup>63</sup> Guidance on eligibility was published on 24 March 2020.<sup>64</sup> Businesses must have been eligible for Small Business Rate Relief on 11 March 2020 in order to qualify for the £10,000 grant scheme. To qualify for the larger £25,000 grant, a business would have to have been eligible for the retail / leisure / hospitality relief scheme on 11 March 2020.

## Wales

[In Wales, a £100 million grant scheme for local businesses](#) was announced on 17 March 2020, following the £3,000 grant announced for English businesses on 11 March.<sup>65</sup> The Welsh scheme is similar to that in England.

## 11.3 Local Authority Discretionary Grants Fund

On 2 May [the Government announced an additional £617 million in funding](#) alongside England's Small Business Grants and Retail, Hospitality and Leisure Grants schemes. This has been termed the "Local Authority Discretionary Grants Fund". The eligibility criteria are different from those for the original grant schemes, covering some additional categories of business.

Guidance for the disbursement of this additional funding was published on 13 May. The guidance states that the Government wishes to see four categories of business prioritised with this funding:

- Small businesses in shared offices or other flexible workspaces. Examples could include units in industrial parks, science parks and incubators which do not have their own business rates assessment;
- Regular market traders with fixed building costs, such as rent, who do not have their own business rates assessment;

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<sup>62</sup> See HM Treasury, [Chancellor of the Exchequer Rishi Sunak on Covid-19 response](#), 17 Mar 2020

<sup>63</sup> HM Treasury, [Budget 2020](#), p. 40

<sup>64</sup> HM Treasury, [Coronavirus \(COVID-19\): business support grant funding - guidance for local authorities](#), 24 Mar 2020

<sup>65</sup> Welsh Government, [Emergency support for businesses hit by coronavirus](#), 17 March 2020

- Bed & Breakfasts which pay Council Tax instead of business rates; and
- Charity properties in receipt of charitable business rates relief which would otherwise have been eligible for Small Business Rates Relief or Rural Rate Relief.<sup>66</sup>

However, the guidance also states:

The list set out above is not intended to be exhaustive but is intended to guide local authorities as to the types of business that the government considers should be a priority for the scheme. Authorities should determine for themselves whether particular situations not listed are broadly similar in nature to those above and, if so, whether they should be eligible for grants from this discretionary fund.<sup>67</sup>

The guidance includes a number of additional stipulations:

- Grant recipients must be small or micro-businesses, as defined in the *Companies Act 2006*;
- A business's rateable value or rent must be under £51,000 per year;<sup>68</sup>
- Businesses are not eligible if they have received grants from any other central government funding scheme;<sup>69</sup>
- The maximum grant available under this scheme is £25,000;
- Local authorities will not be able to access an allocation from this fund if they have a projected underspend of 5% or more on the original grant schemes.

## 11.4 Other reliefs

In 2020-21, a discount of £5,000 will be available on the rates bill of all pubs in England with a rateable value of under £100,000, in order to provide business support during the economic problems caused by the coronavirus.<sup>70</sup>

The Government also announced that all childcare nurseries in England would be exempt from business rates. Nurseries are defined as properties "occupied by providers on Ofsted's Early Years Register and wholly or mainly used for the provision of the Early Years Foundation Stage and which are subject to business rates in the year 2020/21".<sup>71</sup> There is no rateable value limit on eligibility. Day nurseries were already exempt from business rates in Scotland and Wales in the 2020-21 financial year.

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<sup>66</sup> BEIS, [Local Authority Discretionary Grants Fund – guidance for local authorities](#), May 2020, p6

<sup>67</sup> Ibid

<sup>68</sup> Ibid., p6

<sup>69</sup> Ibid., p7

<sup>70</sup> HM Treasury, [Budget 2020](#), p. 40

<sup>71</sup> MHCLG, [Business rates: nursery \(childcare\) discount 2020 to 2021: coronavirus response – local authority guidance](#), 2 April 2020, p3.

## 12. Protection from forfeiture for non-payment of rent

Where a tenant under a commercial/business lease fails to pay the rent, their landlord will usually have a contractual right to early determination of the lease agreement. This is referred to as forfeiture.

In recognition that commercial tenants are likely to experience interruptions in their income streams, with consequences for their ability to meet their rent commitments, **section 82 of the *Coronavirus Act 2020* provides that a landlord's right to treat a lease as forfeited for non-payment of rent cannot be exercised for three months up to 30 June 2020.** This period may be extended. Section 83 provides the same protection in Northern Ireland.

All business tenancies within the meaning of the *Landlord and Tenant Act 1954* are covered in England and Wales. In Northern Ireland, section 83 applies to those within the meaning of the *Business Tenancies (Northern Ireland) Order 1996*. The 1996 Order allows a landlord to oppose renewal of a tenancy where there has been a 'persistent delay in paying rent'. In recognition that this could present problems for tenants who rely on the moratorium against forfeiture if their leases are due for renewal before 30 June 2020, section 83 provides that this period will be ignored for the purposes of Article 12(1)(b) of the 1996 Order.

The moratorium on non-collection of rent for the purpose of forfeiture during the specified period does **not** amount to a waiver of the landlord's right to pursue rent due.

## 13. Insurance

### Insurance information for companies

The Association of British Insurers (ABI) publishes and regularly updates [general guidance about insurance and coronavirus](#). However, insurance arrangements vary and businesses should check their cover and discuss concerns with their brokers.

There have been increasing disputes about business interruption insurance coverage. Although most policies are unlikely to cover closure resulting from the pandemic, some wording may be open to interpretation. [The Financial Conduct Authority is seeking legal review of the wording of some policies](#).

Insurance arrangements for businesses are complex and cover a number of areas, including business continuity/interruption, event cancellation and contingency, and professional liability.<sup>72</sup> The ABI emphasises that insurance arrangements vary and advises businesses to check their cover and to discuss concerns with brokers.

The Financial Conduct Authority (FCA), which regulates insurance in the UK, has published [general guidance and expectations about insurance cover and management during the pandemic](#). It notes:

We expect firms to consider very carefully the needs of their customers and show flexibility in their treatment of them. We are likely to see customers' behaviours change because of the pandemic. For example, this could mean that customers may need to work from home or commute by car. We would not expect to see their ability to claim impacted by circumstances over which they have little control.

We expect firms to clearly communicate any policy exclusions that may impact the cover and use of individual policies. This applies both to new sales or changes to existing policies (either mid-term or at renewal) – they must clearly meet consumers' demands and needs.

### Treasury Committee

The Treasury Select Committee is conducting [an inquiry into the economic impact of coronavirus](#). As part of this, the Chair, Mel Stride MP, wrote to the ABI on 26 March 2020 with [a set of questions about the scale of the industry's response and changes to what is on offer and the terms of insurance contracts](#).

In [its response](#), the ABI emphasised its commitment to supporting customers, but also the scale of demands that the industry faces:

ABI members estimate they will pay £1.2 billion in claims to policyholders as a result of Covid-19 covering losses by customers for business interruption, travel, events, weddings and school trips. Working estimates of the breakdown of the £1.2 billion are £900m for business interruption, £275m for travel insurance and £25m for events, weddings and school trips. If the period of

<sup>72</sup> See, for instance, Simmons & Simmons, "[Coronavirus \(COVID-19\) - the insurance issues](#)", 5 March 2020, for a general overview.

business closures and travel restrictions continue well into the summer it is reasonable to expect this number would rise further.

The response also set out a range of more “flexible” responses to general policy terms, such as relaxed approaches to MOTs and home working.

### 13.1 Business interruption insurance

There have been wide concerns about the coverage of business interruption insurance. **Most businesses are unlikely to have cover for pandemics.**

A full discussion appears in our briefing paper [Coronavirus: Business interruption insurance](#).

Many businesses had expected that when Governments declared Covid-19 a notifiable disease and ordered them to shut down they would be able to make claims under interruption policies.

But few have been able to do so successfully. Most insurers had revised the standard wording of their policies over the last decade or so to remove cover relating to new diseases.

Affected businesses should read their policies, discuss the matter with their insurer or broker and ask for written advice.

But many policy-holders argue that policy wording isn't clear or seems to allow them to claim, even when insurers have told them that they can't.

#### What can businesses do?

Small businesses who dispute decisions may follow [the standard complaints procedure for complaints about financial services](#).

As a result of the level of concern, though, the Financial Conduct Authority has published [information for holders of business interruption policies](#). They have asked insurers and policy-holders for examples of contentious wording and intend to seek judgments from the High Court.

Both the FOS and FCA actions are likely to take some time.

Businesses may also consider the other support options discussed in this briefing.

It is likely that few businesses have relevant cover under standard wording. But this is not always straightforward and at least one legal challenge is being prepared. The FCA is also gathering examples for review by the courts.

## 14. Other initiatives

**This is a fast-moving issue and should be read as correct at the time of publication. This list is not exhaustive.**

The Chancellor announced that the Government would do “whatever it takes”. Further actions include the following:

- Almost [£400 million support to bus companies in England](#) to ensure that services continue to run despite reduced demand.
- [Relaxed planning rules](#) to allow pubs and restaurants to operate as hot food takeaways during the coronavirus outbreak. Through secondary legislation, [the Government said it would allow the temporary change](#) of use of a pub (A4 – drinking establishment) and a restaurant (A3 – restaurants and cafés) to a hot-food take away for a period up to 23 March 2021.<sup>73</sup> Aspects of the temporary change relate to [permitted development rights](#) and [permitted development rights for change of use](#).
- A [Corporate Insolvency and Governance Bill](#) was debated on 3 June. The Bill’s overarching objective is to support businesses during the pandemic and maximise their chances of survival, protect jobs and support the country’s economic recovery. The Bill consists of eight measures which conveniently fall into two sets: permanent changes to insolvency law and temporary changes to insolvency law and corporate governance. Our briefing [Coronavirus: Changes to insolvency rules to help businesses](#) provides further background.

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<sup>73</sup> Ministry of Housing, Communities & Local Government, [Government to grant permission for pubs and restaurants to operate as takeaways as part of coronavirus response](#), 17 March 2020

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