



SUMMARY OF UK GOVERNMENT FUNDING MEASURES TO ADDRESS THE COVID-19 CRISIS

23 MARCH 2020

- The Chancellor of the Exchequer set out a number of initiatives last week to provide a package of funding related measures to support public services, people and businesses during the COVID-19 crisis.
- Attached is a summary, setting out these measures including information on:
 - the new Covid Corporate Financing Facility, a scheme run by the Bank of England, and HM Treasury, aimed at supporting larger businesses; and
 - the new Coronavirus Business Interruption Loan Scheme, a scheme run by the British Business Bank, aimed at supporting small and medium sized enterprises.
- Information is changing on a regular basis, so please refer to relevant resources for the latest information. We have signposted some of these for you in this summary.
- Please note that many of these measures are also being co-ordinated via other organisations such as HMRC, banks and local authorities, as highlighted in the summary.
- This summary is for information purposes only and is not legal advice. If you are seeking to make use of any of these measures, you should consider seeking appropriate professional advice.
- If you have any queries or questions in relation to this summary, or any other queries on how COVID-19 might affect your business, please do get in touch with us. We are here to help you.

With best wishes,

Gowling WLG (UK) LLP

For more information and COVID-19 related resources, please visit our dedicated COVID-19 hub: <https://gowlingwlg.com/en/topics/covid-19/overview/>

List of UK Government funding support measures for business¹

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¹ For all latest UK Government information on these measures, please refer to the 'UK Government Guidance: COVID-19: support for businesses' website:

<https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/covid-19-support-for-businesses>

1. COVID Job retention scheme

<p>Summary</p>	<ul style="list-style-type: none"> All UK employers will be able to access support to continue paying part of their employees' salary for employees who would otherwise have been laid off during the COVID-19 crisis.
<p>Eligibility</p>	<ul style="list-style-type: none"> All UK businesses are eligible.
<p>How to access</p>	<ul style="list-style-type: none"> Businesses will need to designate affected employees as 'furloughed workers,' and notify their employees of this change. Note, changing the status of employees remains subject to existing employment law and, depending on the employment contract, may be subject to negotiation. Information will need to be submitted to HMRC. HMRC will reimburse 80% of furloughed workers wage costs, up to a cap of £2,500 per month.
<p>Immediately available?</p>	<ul style="list-style-type: none"> HMRC are currently putting systems in place. Please refer to the UK Government website and HMRC website which should have more information when available: <ul style="list-style-type: none"> https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/covid-19-support-for-businesses#support-for-businesses-through-the-coronavirus-job-retention-scheme https://www.gov.uk/government/organisations/hm-revenue-customs

2. Tax: Time to pay service

Summary	<ul style="list-style-type: none">• Case by case support for businesses and self-employed people in financial distress.
Eligibility	<ul style="list-style-type: none">• Must pay tax to the UK government.• Must have outstanding tax liabilities.
How to access	<ul style="list-style-type: none">• Contact HMRC's dedicated helpline: 0800 0159 559.
Immediately available?	<ul style="list-style-type: none">• Case by case basis – please speak to HMRC• Further information on the HMRC website:<ul style="list-style-type: none">○ https://www.gov.uk/government/news/tax-helpline-to-support-businesses-affected-by-coronavirus-covid-19

3. Coronavirus Business Interruption Loan Scheme (CBILS)

Summary & FAQs	<ul style="list-style-type: none">• The new temporary Coronavirus Business Interruption Loan Scheme, delivered by the British Business Bank, launches on 23 March 2020 to support primarily small and medium-sized businesses to access bank finance.• The British Business Bank has published an FAQs on the CBILS scheme for SMEs which is accessible here:<ul style="list-style-type: none">○ https://www.british-business-bank.co.uk/wp-content/uploads/2020/03/British-Business-Bank-CBILS-FAQs-for-SMEs-FINAL.pdf• General information can also be found on this British Business Bank page:<ul style="list-style-type: none">○ https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils/
Eligibility	<ul style="list-style-type: none">• All applications must be for business purposes to support primarily trading in the UK.• The business must:<ul style="list-style-type: none">○ be a UK based SME, with turnover of no more than £45 million per year;○ have a borrowing proposal which, were it not for the current COVID-19 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.• The business must generate more than 50% of its turnover from trading activity.• The following trades and organisations are not eligible to apply:<ul style="list-style-type: none">○ 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.

	<ul style="list-style-type: none"> • Also note that the British Business Bank has said that if the lender can offer finance on normal commercial terms without the need to make use of the CBILS scheme, it will do so. • See the British Business Bank website for further information: <ul style="list-style-type: none"> ○ https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils/
Financial Support	<ul style="list-style-type: none"> • The CBILS Scheme will support loans of up to £5 million in value. • The government will provide lenders with a guarantee of 80% on each loan (subject to a per-lender cap on claims). • The government will not charge businesses or banks for this guarantee. • First 12 months finance is <u>interest free</u>, as government will cover the first 12 months of interest payments. • The business remains liable for repayments of the capital and interest thereafter. • Finance types will include: <ul style="list-style-type: none"> ○ Term facilities; ○ Overdrafts; ○ Invoice finance facilities; and ○ Asset finance facilities. • Finance terms are up to six years for term loans and asset finance and up to three years for overdrafts and invoice finance.
Will my business need to provide security to access?	<ul style="list-style-type: none"> • Lenders will have discretion to provide unsecured funding on facilities of £250,000 or under. • For facilities over that amount, lenders will have to make security assessments. In any event, primary residential property cannot be provided as security under the CBILS scheme.
How to access	<ul style="list-style-type: none"> • Businesses should approach their own finance provider who should be an accredited funder. Telephone lines may be busy, so consider accessing the finance provider's website first. • There is an accredited list of funders here:

	<ul style="list-style-type: none"> ○ https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils/accredited-lenders/ • Further information on this British Business Bank's page: <ul style="list-style-type: none"> ○ https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils/for-businesses-and-advisors/
Are there any arrangement fees or early repayment charges for using the CBILS scheme?	<ul style="list-style-type: none"> • The British Business Bank website says that some lenders have indicated they would not charge these, but you should speak with the relevant lender.
How do you evidence a business's viability for the CBILS scheme?	<ul style="list-style-type: none"> • You should speak with your proposed finance provider direct, but we expect that usual information such as recent accounts, trading information and cash flow forecasts will be needed, together with a sound borrowing proposal.
Immediately available?	<ul style="list-style-type: none"> • You should contact an accredited lender for further information on how to access (see above). Note that the British Business Bank is not dealing with queries from SMEs on the CBILS scheme.

4. Covid Corporate Financing Facility (CCFF)

<p>How can this facility be accessed?</p>	<ul style="list-style-type: none"> • Companies will need to liaise with their banks. • Contact details for banks and financial institutions who are participating in this scheme are listed on the UK Finance website: <ul style="list-style-type: none"> ○ https://www.ukfinance.org.uk/covid-19-corporate-financing-facilities • There is also further information on this scheme on the Bank of England website and you should check this website for the latest general information on this CCFF scheme: <ul style="list-style-type: none"> ○ https://www.bankofengland.co.uk/news/2020/march/the-covid-corporate-financing-facility
<p>Who can access this?</p>	<ul style="list-style-type: none"> • Companies and their finance subsidiaries that make a material contribution to the UK economy. • In practice, the Bank of England says that firms that meet this requirement would normally be 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. • The Bank of England 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. <p>(Note that commercial paper issued by issued by banks, building societies, insurance companies and other financial sector entities regulated by the Bank of England or the Financial Conduct Authority will not be eligible. Commercial paper will also not be eligible if issued by leveraged investment vehicles or from companies within groups which are predominantly active in businesses subject to financial sector regulation).</p>
<p>Does a company need to demonstrate sound financial health?</p>	<ul style="list-style-type: none"> • Yes: Firms need to demonstrate they were in sound financial health prior to the COVID-19 shock, to allow the Bank of England to look through temporary impacts on firms' balance sheets and cash flows from the shock itself. • This means companies that had a short or long-term rating of investment grade, as at 1 March 2020, or equivalent. • Provided a company can demonstrate good financial health prior to 1 March 2020, it will remain eligible to participate in this facility. However, this is subject to HM Treasury approval.

<p>How does a company demonstrate that 'sound financial health' criteria?</p>	<p>There are two ways:</p> <p>(1) via a credit rating; and</p> <p>(2) via a credit quality assessment.</p>
<p>What credit rating must the company have?</p>	<ul style="list-style-type: none"> • The Bank of England says the clearest way to demonstrate this test is to have, or acquire, a rating. For such firms, investment grade means a short-term rating of A3/P3/F3 or above, or a long-term rating above BBB-/Baa3/BBB- by at least one of the major credit ratings agencies: S&P, Moody's or Fitch. • Of key importance, if firms have different ratings from different agencies and one is below investment grade, then the commercial paper will not be eligible for this scheme.
<p>What is a credit quality assessment?</p>	<ul style="list-style-type: none"> • If a company doesn't have an existing credit rating from the major credit ratings agencies, one potential route to evidencing credit status is for the company or its bank to get in touch with one of the major credit rating agencies to seek an assessment of credit quality in a form that can be shared with the Bank of England and HM Treasury, noting that it is doing so because it wishes to use the CCFF. • The Bank of England is currently discussing this with the largest credit rating agencies.
<p>Which rating agency products will be suitable evidence of investment grade credit quality?</p>	<p>The Bank of England currently envisages accepting the following standard rating agency products, but reserves the right to make use of other products:</p> <ul style="list-style-type: none"> • Moody's Investor Services: <ul style="list-style-type: none"> ○ Long and short term public corporate credit ratings ○ (Private) 'Indicative ratings' at a recent point-in-time (for those approaching CRAs for the first time) • Standard & Poor's Ratings Services: <ul style="list-style-type: none"> ○ Long and short term public corporate credit ratings ○ 'Credit Assessments' (CAs) at a recent point-in-time (for those approaching CRAs for the first time) • Fitch <ul style="list-style-type: none"> ○ Long and short term public corporate credit ratings ○ (Private) Credit opinion at a recent point-in-time (for those approaching CRAs for the first time). A form of Fitch 'credit opinion' incorporating a rating rationale would be preferred, if available.
<p>What is commercial paper?</p>	<p>Commercial paper is an unsecured, short-term debt instrument issued by a company.</p>

What is the currency denomination for the commercial paper?	UK Pound Sterling.
Minimum commercial paper amounts	<ul style="list-style-type: none"> • £1 million nominal. • Offers must be rounded to the closest £0.1 million.
Pricing	<ul style="list-style-type: none"> • The Bank of England says the facility will offer financing on terms comparable to those prevailing in markets in the period before the COVID-19 economic shock.
Maturity	<ul style="list-style-type: none"> • One week to twelve months.
How long will the CCFF scheme remain open for?	<ul style="list-style-type: none"> • 12 months (and for as long as steps are needed to relieve cash flow pressures on firms that make a material contribution to the UK economy).
Will commercial paper with non-standard features be accepted?	<ul style="list-style-type: none"> • No – for example commercial paper with extendibility or subordination will not be accepted.
Is this scheme confidential?	<ul style="list-style-type: none"> • The names of issuers and securities purchased or eligible will not be made public. • Companies that participate in the facility will need to sign a confidentiality agreement with the Bank of England. • The Bank of England will publish each Thursday at 15:00 (in aggregate) <u>the total amount</u> of commercial paper purchased that week, up until the previous day, in terms of the amount paid to the sellers; and (ii) the total amount of commercial paper that has been purchased to date, minus the amount of commercial paper that has matured.
Is there further technical detail?	<ul style="list-style-type: none"> • Yes – participants should read the information in the Bank of England's Market Notice.

5. VAT deferral

Summary	<ul style="list-style-type: none">• Deferral of VAT payments for 3 months.
Eligibility	<ul style="list-style-type: none">• All UK businesses are eligible.
How to access	<ul style="list-style-type: none">• This is an automatic offer with no applications required.• Businesses will not need to make a VAT payment during this period.• Taxpayers will be given until the end of the 2020/2021 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.
Immediately available?	<ul style="list-style-type: none">• The deferral will apply from 20 March 2020 until 30 June 2020.

6. Statutory Sick Pay Support (for SMEs)

Summary	<ul style="list-style-type: none"> • Small-and medium-sized businesses and employers will be able to reclaim Statutory Sick Pay (SSP) paid for sickness absence due to COVID-19.
Eligibility	<ul style="list-style-type: none"> • Business must be UK based. • Business must be a small or medium-sized and employs fewer than 250 employees as of 28 February 2020.
Financial support	<ul style="list-style-type: none"> • Refund will cover up to 2 weeks' SSP per eligible employee who has been off work <u>because of COVID-19</u>. • Employers will be able to reclaim expenditure for any employee who has claimed SSP (according to the new eligibility criteria) because of COVID-19. • Employers should maintain records of staff absences and payments of SSP, but employees will not need to provide a GP fit note. • Where employers require evidence, those with symptoms of coronavirus can get an isolation note from NHS 111 online and those who live with someone that has symptoms can get a note from the NHS website.
How to access	<ul style="list-style-type: none"> • Rebate scheme.
Immediately available?	<ul style="list-style-type: none"> • Legislation is awaited. • The government will work with employers over the coming months to set up the repayment mechanism for employers as soon as possible.

7. Business rates

Summary	<ul style="list-style-type: none"> • Business rates holiday for retail, hospitality and leisure businesses in England for the 2020 to 2021 tax year. • Businesses that received the retail discount in the 2019/2020 tax year will be rebilled by their local authority as soon as possible.
Eligibility	<ul style="list-style-type: none"> • Business must be based in England. • Business must be in the retail, hospitality and/or leisure sector. • Properties that will benefit from the relief will be occupied properties that are wholly or mainly being used: <ul style="list-style-type: none"> ○ as shops, restaurants, cafes, drinking establishments, cinemas and live music venues; ○ for assembly and leisure; ○ as hotels, guest & boarding premises and self-catering accommodation.
Financial support	<ul style="list-style-type: none"> • Business rates holiday.
How to access	<ul style="list-style-type: none"> • No action required.
Immediately available?	<ul style="list-style-type: none"> • It will apply to the next council tax bill in April 2020. However, local authorities may have to reissue the bill automatically to exclude the business rate charge, which will be done as soon as possible.

8. Cash grants - retail, hospitality and leisure businesses

Summary	<ul style="list-style-type: none"> • The Retail and Hospitality Grant Scheme for businesses in the retail, hospitality and leisure sectors.
Eligibility	<ul style="list-style-type: none"> • Business must be based in England. • Business must be in the retail, hospitality and/or leisure sector. • Properties that will benefit from the relief will be occupied properties that are wholly or mainly being used: <ul style="list-style-type: none"> ○ as shops, restaurants, cafes, drinking establishments, cinemas and live music venues; ○ for assembly and leisure; ○ as hotels, guest & boarding premises and self-catering accommodation.
Financial support	<ul style="list-style-type: none"> • Businesses with a rateable value of under £15,000 will receive a grant of £10,000. • Businesses with a rateable value of between £15,001 and £51,000 will receive a grant of £25,000.
How to access	<ul style="list-style-type: none"> • Businesses do not need to do anything. • Local authorities will write to eligible businesses.
Immediately available?	<ul style="list-style-type: none"> • Guidance for local authorities will be provided shortly.

9. Small Business Grant Scheme

Summary	<ul style="list-style-type: none">• Funding for local authorities to support small businesses that already pay little or no business rates because of small business rate relief (SBBR), rural rate relief (RRR) and tapered relief.
Eligibility	<ul style="list-style-type: none">• Business must be based in England.• Must be a small business and already receive SBBR and/or RRR.• Business must occupy property.
Financial support	<ul style="list-style-type: none">• One-off grant of £10,000 to eligible businesses to help meet their ongoing business costs.
How to access	<ul style="list-style-type: none">• Businesses do not need to do anything.• Local authorities will write to eligible businesses.
Immediately available?	<ul style="list-style-type: none">• Guidance for local authorities will be provided shortly.

NOT LEGAL ADVICE:

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