

COVID-19 Response: United Kingdom

GOVERNMENT MEASURES FOR BUSINESSES

ELIGIBILITY

WHEN?

Finance / Loan Schemes

COVID-19 Corporate Financing Facility (CCFF):

- ▶ Vehicle run by the BoE and backstopped by the Treasury
- ▶ Purchases (via a bank) commercial paper of up to one-year maturity issued by eligible companies with a nominal value of at least £1,000,000
- ▶ Funded by the issuance of additional central bank reserves with no formal cap
- ▶ Pricing: spread to OIS which varies according to rating as at 1 March 2020

Companies that:

- ▶ make a **material contribution** to the UK economy¹;
- ▶ had, prior to being affected by COVID-19, a short or long-term rating of **investment grade**, or financial health equivalent to an investment grade rating²; and
- ▶ are **non-banks**^{3 4}

Live until 23 March 2021

Coronavirus Large Business Interruption Loan Scheme (CLBILS)⁵:

- ▶ [Accredited lenders](#) will provide term loans, revolving credit facilities (including overdrafts), invoice finance and asset finance to eligible companies, which will benefit from a government guarantee for 80% of the debt amount (up to £200,000,000)
- ▶ Businesses seeking loans > £50m will be subject to restrictions on dividends and other shareholder and management payments
- ▶ For facilities of up to £50m, dividend payments will be allowed to continue but not increase
- ▶ On 2 November 2020, the government announced that the CLBILS would be extended until 31 January 2021

UK based large businesses with group turnover of > £45,000,000 p.a.. See [here](#) for detailed eligibility criteria

Live until 31 January 2021

1. According to BoE guidance, this requirement will likely be satisfied if the applicant is a UK incorporated company, including with a foreign-incorporated parent, that has a genuine business in the UK; significant employment in the UK; its headquarters in the UK; that serves a large number of customers in the UK; and/ or that has a number of operating sites in the UK
2. Eligibility requires a minimum short-term credit rating of A-3 / P-3 / F-3 from at least one of S&P, Moody's and Fitch as at 1 March 2020. The Bank and HMT will consider the eligibility of issuers at the lowest rating that were on negative watch/outlook as at 1 March. Where no short-term credit rating is available, the BoE will consider whether a long-term credit rating can be used or whether the BoE can assess that the issuer is of "equivalent financial strength" (internal bank rating usually sufficient)
3. Commercial paper issued by non-bank financial companies will in principle be eligible, subject to the BoE being satisfied that the issuer makes a material contribution to corporate financing in the UK. Commercial paper issued by leveraged investment vehicles or from companies within groups that are predominantly banks, investment banks or building societies will not be eligible
4. Detailed guidance on the scheme is [available here](#)
5. Detailed guidance on the scheme is [available here](#)

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Finance / Loan Schemes

Coronavirus Business Interruption Loan Scheme (CBILS):

[Accredited lenders](#) will provide loans and overdrafts to eligible companies, which will benefit from a government guarantee for 80% of the debt amount and will be offered on the following terms:

- ▶ amount: up to £5,000,000 (to be used to support primarily trading in the UK)
- ▶ interest/fees: interest/fee free for first 12 months (payments covered by government)
- ▶ term: from three months up to ten¹ years for term loans and asset finance and up to three years for revolving facilities and invoice finance
- ▶ collateral: official guidance only specifies as follows: No personal guarantees for facilities under £250,000. Personal guarantees may still be required, at a lender's discretion, for facilities above £250,000, but they exclude the Principal Private Residence (PPR) and 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

UK based SMEs:

- ▶ with group turnover of ≤ £45,000,000 p.a. (N.B., some sector-specific thresholds); business must generate more than 50% of its turnover from trading activity
- ▶ in an eligible industrial sector (excluding, e.g., banks, state-funded schools, insurance, etc.)
- ▶ that have not received de minimis State aid beyond €200k over the current and previous two fiscal years
- ▶ that have a borrowing proposal which the lender would consider viable, were it not for the current pandemic
- ▶ Undertakings in difficulty are eligible (from 30 July 2020) provided they have fewer than 50 employees and a turnover of less than £9 million

Live until 31 January 2021

Bounce Back Loan Scheme (BBLs):

- ▶ The Government will provide six-year term loans of up to 5% of a business' turnover (capped at £50,000). The loans will be interest and fee free for the first 12 months and fully guaranteed by the government. A detailed overview of the scheme is available [here](#). A new "Pay as You Grow" flexible repayment system was announced on 24 September 2020 which extended the term of the loans from six to ten years, introduced interest-only periods of up to six months and made payment holidays available to help struggling businesses.
- ▶ New opportunity to top-up bounce back loans if a business didn't borrow the full amount announced on 2 November 2020

Businesses engaged in trading or commercial activity in the UK which have been adversely affected by COVID-19, regardless of turnover

Live until 31 January 2021

1. Original term was up to six years but this was extended to ten years on 24 September 2020. Existing lenders will have the ability to extend the term of a loan from a maximum of six to a maximum of ten years if it will help the business repay the loan

COVID-19 Response: United Kingdom

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WHEN?

Finance / Loan Schemes

Future fund:

The Government will provide convertible loans to “innovative companies” on a 50/50 basis with private investors:

- ▶ amount: £125,000 to £5,000,000 each (or the private investor can choose to upsize its share)
- ▶ purpose: working capital purposes and shall not be used by the company to repay any borrowings, make any dividends or bonus payments to staff, management, shareholders or consultants or, in respect of the government loan, pay any advisory or placement fees or bonuses to external advisers
- ▶ conversion: initial bridge funding will automatically convert into equity on the company's next qualifying funding round at a minimum conversion discount of 20% to the price set by that funding round with a company repayment right in respect of the accrued interest; IPO or sale; maturity (unless lenders require cash repayment)
- ▶ interest: minimum of 8% per annum (noncompounding) paid on maturity of the loan
- ▶ term: 36 months
- ▶ other terms: further details [here](#)

Unlisted UK registered company:

- ▶ that has raised at least £250,000 in aggregate from private third party investors in previous funding rounds in the last five years; and
- ▶ that has a substantive economic presence in the UK

Live

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GOVERNMENT MEASURES FOR BUSINESSES

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WHEN?

Tax

Business rates relief

- ▶ 12 month payment holiday for year commencing 1 April 2020

Companies in the retail, hospitality or leisure sector and nurseries¹:

- ▶ payment holiday for businesses liable to pay business rates

Live

Relaxation of HMRC's Time To Pay service rules (deferral of tax payments due)

Companies experiencing financial stress due to COVID-19

- ▶ arrangements agreed with HMRC on case-by-case basis

Live

Deferral of one quarter's VAT payment (falling due between 20 March 2020 and 30 June 2020) until the end of the financial year

- ▶ Option to pay deferred VAT in 11 smaller interest-free payments during the 2021-22 financial year (rather than in one lump sum) announced on 24 September 2020

Companies liable to pay VAT. Companies should cancel any corresponding direct debit

Live

Temporary reduced rate of VAT

- ▶ Temporary 15% VAT cut for the tourism and hospitality sectors (originally from 15 July 2020 to 12 January 2021 and extended to 31 March 2021 on 24 September 2020)

- ▶ Suppliers of hospitality, hotel and holiday accommodation and leisure attractions

Live

- ▶ Includes supplies of food, non-alcoholic beverages, sleeping accommodation and admission to attractions not already eligible for the cultural VAT exemption

1. For further information about which companies qualify for the relief, please [follow this link](#)

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GOVERNMENT MEASURES FOR BUSINESSES

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WHEN?

Employment

Extended job retention scheme (for employees not working due to COVID-19)¹

- ▶ HMRC to provide grants to employers until 31 March 2021
- ▶ For hours not worked by the employee, the Government will pay the employer 80% of wages up to a cap of £2,500
- ▶ Employers will pay employer NICs and pension contributions for hours not worked
- ▶ Employers are able to choose to top up employee wages above the scheme grant at their own expense
- ▶ To claim the grant for furloughed hours, employers will need to report and claim for a minimum period of 7 consecutive calendar days
- ▶ The level of government support may be reduced from January 2021, if economic circumstances are improving

Companies with PAYE employees in the UK

- ▶ There is no requirement for either the employer or employee to have used the job retention scheme previously
- ▶ Employees must be on an employer's PAYE payroll by 23:59 on 30 October 2020
- ▶ Employees can be on any type of contract
- ▶ Note that employee consent to furloughing and, in the absence of a 20% top up, reduced wages is required
- ▶ Employers are able to bring furloughed employees back to work any shift patterns, while still being able to claim job retention scheme relief for hours not worked

Announced on 31 October 2020 – application process expected to go live shortly

Ability to reclaim Statutory Sick Pay paid for up to two weeks (£95 p.w.) due to COVID-19

Companies required to pay SSP with < 250 employees (threshold expected to be for the entire group)

Live

1. The Job Retention Scheme was originally due to end on 31 October 2020 but was extended to December 2020 (and then to 31 March 2021) following the government's announcement of a further four-week nationwide lockdown for England on 31 October 2020

COVID-19 Response: United Kingdom

GOVERNMENT MEASURES FOR BUSINESSES	ELIGIBILITY	WHEN?
Grants		
Lockdown grant scheme <ul style="list-style-type: none">▶ During the new period of national lockdown (from 5 November to 2 December 2020)▶ Grant of £2,000 per month for businesses with a property rateable value under £51,000▶ Grant of £3,000 per month for businesses with a property rateable value over £51,000	<ul style="list-style-type: none">▶ Any business legally required to close	Announced on 31 October 2020 – application process expected to go live shortly
Other		
Protection from eviction for non-payment of rent <ul style="list-style-type: none">▶ No tenant will automatically forfeit their lease and be forced out of their premises if they miss a payment prior to 31 December 2020	<ul style="list-style-type: none">▶ Any business renting premises for business purposes	Live

COVID-19 Response: United Kingdom (Continued)

Summary only

This document only summarizes key measures implemented to benefit businesses operating in the UK as of **1 November 2020**.

Insolvency law framework

New laws have been put in place to ensure that insolvency related court applications and hearings are not interrupted by the social distancing measures introduced by the government.

On 25 June 2020, the Corporate Insolvency and Governance Act (the Act) was enacted (having been fast-tracked through the UK legislative process). The Act made the following changes to the UK insolvency law regime:

- ▶ **Wrongful trading:** temporarily amended wrongful trading provisions to discount potential liability for directors for any worsening of the company's financial position in the period 1 March to 30 September. The change did not apply to certain excluded companies, including parties to capital market arrangements
- ▶ **Temporary ban on statutory demands and winding-up orders:** New measures introduced to protect UK high street from aggressive rent collection and closure (initially until 30 June and now extended to 31 December). The legislation applies to all companies (not only tenants) and petitions brought by any creditor (not only landlords)
- ▶ **New restructuring plan and moratorium:** The government previously announced plans to introduce new restructuring procedures in August 2018. The Act implemented these plans, including the ability to bind dissenting stakeholders to a new restructuring plan (including "cross-class cram-down") and a short moratorium or 'breathing space' that will give some companies in difficulty time to explore options for rescue

- ▶ Included provisions for protection of supplies to enable companies to continue trading during the moratorium or other rescue or insolvency process

Under other legislation, landlords are prevented from using commercial rent arrears recovery (CRAR) before 31 December 2020 and commercial leases cannot be forfeited for non-payment of rent or other sums due between 26 March and 31 December 2020.

Corporate law framework

The Act temporarily enables companies to hold AGMs in a way which is consistent with social distancing measures implemented by the government, allows companies to delay AGMs which should have taken place between 26 March 2020 and 30 December 2020 and provides an automatic, immediate extension to the deadline by which they must file their accounts and reports.

Other measures which impact businesses

The government has taken other steps to bolster the economy as a whole (e.g., rate cuts), to increase bank lending to SMEs (e.g., Term Funding Scheme), to keep people safe (social distancing measures) and to assist individuals in financial difficulty as a result of COVID-19 (e.g., eviction/3-month mortgage payment holiday). Some of the lockdown measures have severely impacted businesses operating in the UK. Most businesses had reopened following lockdown in March. However, following a spike in the number of cases, the government announced on 31 October 2020 that there would be a further nationwide lockdown for England from 5 November to 2 December 2020. All non-essential retail businesses, indoor and outdoor leisure facilities, entertainment venues, personal care facilities and hospitality venues have now closed for at least four weeks. We anticipate that further government support measures will be announced in the coming days.