

COVID-19 Response: United Kingdom

GOVERNMENT MEASURES FOR BUSINESSES	ELIGIBILITY	WHEN?
Cutting Costs		
Business rates relief <ul style="list-style-type: none"> ▶ 12 month payment holiday for year commencing 1 April 2020 	Companies in the retail, hospitality or leisure sector and nurseries¹: <ul style="list-style-type: none"> ▶ payment holiday for businesses liable to pay business rates 	Live
Ability to reclaim Statutory Sick Pay paid for up to 2 weeks due to COVID-19	Companies with fewer than 250 employees required to pay SSP	[26 March]
Job retention scheme (for employees not working due to COVID-19) <ul style="list-style-type: none"> ▶ HMRC to provide grants to employers ▶ Covers 80% of each “furloughed” employee’s salary payable from 1 March 2020 ▶ Cap of £2.5k a month per employee ▶ Initial term of scheme is 3 months but likely to be extended 	Companies with employees in the UK / subject to PAYE	Live
Enhancing Liquidity		
Relaxation of HMRC’s Time To Pay service rules (deferral of tax payments due)	Companies experiencing financial stress due to COVID-19 <ul style="list-style-type: none"> ▶ arrangements agreed with HMRC on case-by-case basis 	Live
Deferral of next quarter’s VAT payment until the end of the financial year	Companies liable to pay VAT	Live
Retail and Hospitality Grant Scheme <ul style="list-style-type: none"> ▶ provides businesses in the retail, hospitality and leisure sectors with a cash grant of up to £25,000 per property 	Businesses in the retail, hospitality and leisure sectors <ul style="list-style-type: none"> ▶ with a property that has a rateable value of £15,000 and under will receive a grant of £10,000 ▶ with a property that has a rateable value of between £15,000 and £51,000 will receive a grant of £25,000. 	Live
Small Business Grant Scheme <ul style="list-style-type: none"> ▶ £10,000 local authority grant 	Companies in England operating from premises with a rateable value of less than £15k	Early April

1. For further information about which companies qualify for the relief, please go to the following link:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/873622/Expanded_Retail_Discount_Guidance.pdf

COVID-19 Response: United Kingdom (Continued)

GOVERNMENT MEASURES FOR BUSINESSES	ELIGIBILITY	WHEN?
Enhancing Liquidity (continued)		
<p>Protection from eviction for non-payment of rent</p> <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 30 June 	<p>Any business renting premises for business purposes</p>	<p>[26 March]</p>
<p>COVID-19 Corporate Financing Facility (CCFF):</p> <ul style="list-style-type: none"> ▶ new 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 £1m ▶ 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 	<p>Companies that:</p> <ul style="list-style-type: none"> ▶ 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-banks³ <p>The names of issuers will not be disclosed publicly⁴</p>	<p>Live</p>
<p>Coronavirus Business Interruption Loan Scheme (CBILS):</p> <p><u>Accredited lenders</u> 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:</p> <ul style="list-style-type: none"> ▶ amount: up to £5 million ▶ interest: interest free for first 12 months (payments covered by government) ▶ term: from 3 months up to 10 years for term loans and asset finance and up to 3 years for revolving facilities and invoice finance ▶ collateral: decided on a case-by-case basis 	<p>UK based SMEs:</p> <ul style="list-style-type: none"> ▶ with turnover of ≤ £41m p.a. (N.B., some sector-specific thresholds) ▶ in an eligible industrial sector (excluding, e.g., banks, education, insurance, etc.) ▶ that have not received de minimis state aid beyond €200k over the current and previous two fiscal years ▶ that have a sound borrowing proposal but insufficient security to meet the lender's requirements 	<p>Live</p>

1. BoE guidance provides that companies that will normally be regarded as meeting this requirement include (a) UK-incorporated companies, including those with non-UK-incorporated parents and with a genuine business in the UK and (b) companies with significant employment or their HQ in the UK. They 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.

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".

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: <https://www.bankofengland.co.uk/-/media/boe/files/markets/covid-corporate-financing-facility/operating-procedures.pdf?la=en&hash=F41A1E77668304285BE3B0E22EA12E0DE69673EF>

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Other

- ▶ **Summary only.** This document only summarizes key measures implemented to benefit businesses operating in the UK as of **24 March 2020**.
- ▶ **More to come.** The UK government has announced that additional measures are in the pipeline. Of particular note, owing to concern about the automotive and steel industries, the Chancellor of the Exchequer (i.e., the head of the treasury) stated that the law may be changed to enable bail-outs of large companies.
- ▶ **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 these measures will also impact businesses operating in the UK. In particular, the social distancing regime requires all the businesses listed at this link to close: <https://www.gov.uk/government/publications/further-businesses-and-premises-to-close/further-businesses-and-premises-to-close-guidance#businesses-and-premises-that-must-remain-closed>. Trade unions and industry groups are lobbying for further closures to keep additional workers safe.
- ▶ **Directors' duties and insolvency laws.** Unlike other jurisdictions, the government is yet to propose changes to insolvency laws and the courts have yet to announce prolonged closures due to COVID-19. Directors should, therefore, continue to be mindful of their directors' duties and that the usual test of when to file for insolvency will continue to apply. This may, however, be a further area of legal development, as the insolvency service is considering amendments to wrongful trading laws (e.g., switch them off to enable businesses to take the government backed loans on offer without risk of personal liability if they can't pay them back) and introduce a moratorium.