

# UK Chancellor announces Winter Economy Plan

**Tax Talks** on **September 24, 2020**

As the UK braces itself for a second wave of COVID-19 the UK Chancellor has announced the Treasury's Winter Economy Plan with the aim of protecting jobs and supporting businesses over the coming months.

Despite the measures introduced in the Chancellor's Summer Statement (reported by us <https://www.proskauer.com/blog/chancellors-summer-statement-focuses-on-hospitality-sector>), the UK's economic recovery "is fragile" amidst the rising number of infections.

Key points to note from today's announcement:

- A new Job Support Scheme will be introduced from 1 November for six months with the aim of protecting "viable" jobs for those that have had to reduce their hours because of the virus. Further details as follows:
  1. the scheme is less extensive in its scope than the Coronavirus Job Retention Scheme (the furlough scheme) which it replaces as it will only be available for jobs which are "viable" and an employee cannot be on a redundancy notice;
  2. the government will top up the wages of those working at least 33% of their usual hours meaning that (a) employers will pay the wages of staff for the hours they work and (b) for the hours not worked the government and the employer will each pay one third of their equivalent salary;
  3. employees using the scheme will receive at least 77% of their usual wages (subject to the cap on the government's contribution at £697.92 per month);
  4. the Coronavirus Job Retention Scheme does not have to have previously been used in order for an employee or employer to qualify for the new scheme; and
  5. large business will have to meet a financial assessment test and not make capital distributions, such as dividend payments or share buybacks, whilst accessing the grant.

It is interesting to note that the new Job Support Scheme is considerably less generous than the existing furlough scheme. For example, the existing scheme, in its original form, covered up to 80% of earnings up to a monthly cap of £2,500. Despite those levels being reduced over the final months of the existing furlough rules, the new scheme has a monthly cap of just under £700 by way of Government contribution and its scope is much more limited. The new scheme will represent a very considerable reduction in outflow from HM Treasury from 1 November.

- The Self-Employment Income Support Scheme has been extended by way of two taxable grants. The first grant will cover 20% of average monthly trading profits over the period from November to the end of January. This will be capped at £1,875 in total. The second grant will cover the period from the start of February to the end of April with the government to announce details at a later date.
- The reduced rate of VAT (5%) in the hospitality and tourism sectors will continue until 31 March 2021.
- Under the Enhanced Time to Pay arrangement for self-assessment taxpayers, self-assessment liabilities due in July 2020 will not need to be paid in full until January 2022.
- The temporary loan schemes (1. Bounce Back Loan Schemes, 2. Coronavirus Business Interruption Loan Scheme, 3. Coronavirus Large Business Interruption Loan Scheme and 4. Future Fund) are extended for new application to 30 November 2020. A new “Pay as you Grow” scheme is introduced under which businesses that borrowed under the Bounce Back Loan Scheme will have the option of repaying over a period of up to ten years.

Today’s announcement comes after the Chancellor’s confirmation that there will be no Autumn Budget this year.

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