

# Covid-19 Information Sheet

## Small Business Owners

This information sheet has been produced by students from BPP's Pro Bono Centre under the supervision of legally qualified staff members. The information contained in this document is accurate as of 7<sup>th</sup> April 2020.

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# 1. Government grants for small business owners

## What is it and how to qualify?

### **Small Business Grant Fund (SBGF)**

This scheme helps small businesses that pay little or no business rates by providing a one-off support payment of £10,000. In order to qualify for this grant the business must:

- 1) be based in England
- 2) have business premises (i.e. you do not run your business from home or occupy premises for personal use)
- 3) have qualified for small business rate relief or rural rate relief on 11 March 2020
- 4) have a rateable value of under £15,000

The above information applies to businesses in England.

### **SBGF - Wales**

The Welsh Government has also launched similar grants to support businesses across Wales.

Businesses can be provided with a payment of £10,000, in order to qualify the business must:

- 1) be currently eligible for Small Business Rates relief
- 2) have a rateable value of up to and including £12,000

(Further information can be found at: the [Business Wales](#) website and the [Welsh Government website](#).)

### **Retail, Hospitality and Leisure Grant Fund (RHLCF)**

This scheme was created to help businesses with a cash grant up to £25,000 per property. In order to be eligible for this grant the business must:

- 1) be based in England
- 2) be in the retail, hospitality or leisure sector
- 3) have a property with a rateable value of under £51,000
- 4) have been liable for business rates on the property on 11 March 2020 (businesses with rateable value below £12,000, who do not pay business rate are still eligible for the scheme)
- 5) have business property which qualified for the Expanded Retail Discount Scheme on 11 March 2020, had the scheme been in place on this date

Furthermore, in order to qualify for this scheme the occupied properties must be wholly or mainly used:

- 1) as shops, restaurants, cafes, drinking establishments, cinemas and live music venues
- 2) for gatherings and leisure
- 3) as hotels, guest and boarding premises and self-catering accommodation

As a part of the scheme businesses that have rateable value of up to £15,000 will receive a grant of £10,000, businesses that have rateable value between £15,001 and £50,999 will receive a grant of £25,000.

### **RHLCF - Wales**

Businesses can be provided with a payment of £25,000, in order to qualify the business must:

- 1) be in the relevant sector, i.e. shops, restaurants, cafes, drinking establishments, cinemas etc
- 2) have a rateable value between £12,001 and £51,000

(Further information can be found at: <https://businesswales.gov.wales/covid-19-grants>)

### **Businesses that are not eligible**

Not all businesses will be eligible for this scheme, some of them include:

- 1) Properties occupied for personal use (such as beach huts, private stables, loose boxes and moorings)
- 2) Car parks and parking spaces
- 3) Businesses that were dissolved or in liquidation on or before 11 March 2020

### **When can I get the money?**

#### **England**

Businesses that qualify will be contacted by their local authorities in early April 2020.

All queries should be directed to the relevant local authority for the business.

#### **Wales**

Similarly, local authorities in Wales are administering their respective grants.

Further information can be obtained by visiting the relevant local authority's web page.

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## **2. Business Rates Holidays for Retail, Hospitality, Leisure and Nursery Businesses**

### **When does the holiday apply?**

#### **England**

The Business Rates Holiday applies from 6 April 2020 – 5 April 2021. Business rates on eligible business properties are not payable during this tax year as 100% relief applies.

#### **Wales**

The Business Rates Holiday applies from 1 April 2020 – 31 March 2021. Business rates on eligible properties with a rateable value of or under £500,000 are not payable during this time as 100% relief applies.

### **Does it apply to all businesses?**

#### **England**

The holiday applies to the following businesses:

- Retail, hospitality, and leisure businesses. Properties that are occupied as shops, restaurants, cafes, drinking establishments, cinemas, live music venues, hotels, guest houses and self-catering accommodation are included. It also encompasses properties that are used for gatherings, such as public halls, or leisure, such as gyms and museums.
- Nurseries.

If your business is not one of the above you may be eligible for the Small Business Grant Scheme.

#### **Wales**

- The holiday applies only to retail, hospitality and leisure businesses. Properties that are occupied as shops, restaurants, cafes, drinking establishments, cinemas, live music venues, hotels, guest houses and self-catering accommodation are included. It also encompasses properties that are used for assembly, such as public halls, or leisure, such as gyms and museums.
- Childcare and post office properties will continue to receive relief.
- Small businesses in any industry can receive relief if the rateable value on the property is £6000 or less.

### How do I access it?

Your local authority will automatically apply the business rates holiday to your bills. Local authorities might have to reissue your business rates bill to update the change. They will do this as soon as possible. For more specific information regarding how it applies in your area, please refer to your local authority's web page.

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## 3. Coronavirus Business Interruption Loan Scheme (CBILS)

This factsheet relates to businesses that have a turnover of £45,000 million or less. The Government has recently announced that a new scheme will be launched sometime in April 2020 for larger businesses that have a turnover of £45,000 - £500,000.

### What is it and how do I to qualify?

The Coronavirus Business Interruption Loan Scheme (CBILS) is a temporary government scheme to support small and medium-sized businesses (SMEs) in the UK affected by the coronavirus pandemic (COVID-19).

The scheme is provided through accredited lenders and managed by the government-owned British Business Bank. The scheme applies to business finance facilities (which vary according to lender) such as term loans, overdrafts, asset finance, and invoice finance. CBILS offer:

- Up to £5 million borrowing for up to 6 years for term loans and asset finance, and up to 3 years for overdrafts and invoice finance.
- Government-backed 80% guarantee on each loan (subject to overall cap).
- A Business Interruption Payment, where interest for the first 12 months and any fees incurred by the lender (e.g. arrangement fees or early repayment charges) are paid by the Government.
- No fees for SMEs to use the scheme (only lenders will have to pay a fee to access the scheme).
- Lenders cannot take personal guarantees for facilities under £250,000.
- For facilities above £250,000, personal guarantees may still be required at a lender's discretion, however:
  - Recoveries are capped at 20% of the outstanding balance of the CBILS facility after proceeds from the sale of business assets have been applied and,
  - Your home cannot be taken as security.

### To be eligible for the scheme, your business must:

- Have a yearly turnover of less than £45 million.
- Have been adversely impacted by COVID-19.
- Be based in the UK.
- Wish to borrow a sum which, if 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.
- Use the finance granted to primarily support trade in the UK.

- Generate more than 50% of turnover from trading activity.
- Not be from one of the following sectors:  
Banks; insurers and reinsurers (except insurance brokers); public sector bodies; further education establishments, if they are grant-funded; state-funded primary and secondary schools.

When applying to CBILS, lenders may require the following:

### Details of the loan

- The amount you would like to borrow
- What the money is for – this is for the lender to assess suitability of business purpose and finance type for your needs
- Repayment period – the lender will assess whether the loan is affordable for you

### Supporting documents

You are required to provide certain evidence to show that you can afford to repay the loan. This may include:

- Management accounts
- Cash flow forecast
- Business plan
- Historic accounts
- Details of assets

The above requirements will vary between lenders. You may still be eligible for a CBILS loan even if you do not have all the supporting documents listed. You can also use the [lending application checklist as a guide for your application](#).

Further information is available through British Business Bank's CBILS [FAQ](#).

The list of accredited lenders can be accessed via the British Business Bank [website](#).

### When do I have to repay?

The Government will pay the interest on the loan and any fees incurred by the lender for the first 12 months (this is called a 'Business Interruption Payment'). Upfront costs are waived, making initial payments lower.

Your business is still required to repay the capital for the first 12 months of the loan, unless a capital repayment holiday is pre-agreed with the lender. After the initial 12 months, further repayments will include interest for a period of up to 6 years for term loans and asset finance, and up to 3 years for overdrafts and invoice finance.

### When can I get the money?

The application for CBILS will be assessed by lenders on an individual basis. Lenders consist of high-street banks, challenger banks, asset-based lenders and smaller specialist local lenders.

Due to increased demands, it is recommended that you:

- Approach your own provider in the first instance, ideally through their website. You may consider approaching other accredited lenders if your provider is unable to provide the finance you need.
- If you are turned down by one lender, you can still approach other accredited lenders of the scheme.
- Apply through the lender's website as phone lines are likely to be busy and branches may not be able to handle your request.
- Consider your needs – how urgent is it? If it is not urgent, you may wish to consider regular longer-term finance instead of 'emergency' finance.

## How much interest is charged under the CBILS?

There are several approved lenders that businesses can apply to in order to obtain the loan. The amount, terms, and interest vary between lenders, who may offer either a fixed or variable interest rate.

As part of CBILS the Government will make a Business Interruption Payment. This payment will cover the first 12 months of interest payments and fees charged by the lender.

## What if I can't pay back the loan?

Your business is 100% liable for the loan. If your business can't pay back the loan, the lender can take action to recover the money. The lender may try to recover their loss from your business using any legal processes available.

The Government guarantees that it will pay the lender 80% of the outstanding balance. As the lender has already tried to recover money from your business, the remaining 20% is not recoverable.

*Example 1 (A business that has borrowed under £250,000 without a personal guarantee):*

*ABC Business takes out a loan with XYZ Lender for £100,000 under CBILS. ABC manages to pay off some of the loan and reduce it to £70,000. However, it can now no longer pay. XYZ is only able to recover £10,000 from the sale of ABC's equipment. The outstanding balance is now £60,000. The Government pays XYZ £48,000 as guarantor for 80% of the loan. The remaining £12,000 is not recovered as there are no further assets or guarantors to cover the amount.*

*Example 2 (A business that has borrowed over £250,000 with a personal guarantee):*

*ABC Business takes out a loan with XYZ Lender for £300,000 under CBILS. ABC's director provides a personal guarantee at the maximum allowable rate of 20% of the outstanding loan. ABC manages to pay off some of the loan and reduce it to £225,000. However, it can now no longer pay. XYZ is only able to recover a total of £50,000 from the sale of ABC's equipment. The outstanding balance is now £175,000. XYZ recovers a further £35,000 from ABC's company director as guarantor for 20% of the loan. The outstanding balance is now £140,000. The Government pays XYZ £112,000 as guarantor for 80% of the loan. The remaining £28,000 is not recovered as there are no further assets or guarantors to cover the amount.*

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## 4. Tax Reliefs

### VAT Payments - deferral

#### Is there any Government assistance with VAT payments?

If you are a UK VAT registered business and have a VAT payment due between 20 March 2020 and 30 June 2020, you have the option to defer the payment until a later date or to pay the VAT due as normal.

Note that it does not cover payments for VAT MOSS or import VAT.

#### How can I apply for VAT deferral?

It is automatic and you do not need to notify HMRC. However, you will still have to submit your VAT returns on time.

If you normally pay by Direct Debit you should contact your bank to cancel your Direct Debit as soon as you can, or you can cancel online if you're registered for online banking.

### **Will I have to pay interest if I were to defer my VAT payments?**

No, HMRC will not charge interest or penalties on any amount deferred.

## **Self-Assessment tax bill relief**

### **When are the usual deadlines for the Self-Assessment tax bill?**

The deadlines for paying your tax bill are usually:

- 31 January - for any tax you owe for the previous tax year (known as a balancing payment) and your first payment on account
- 31 July for your second payment on account.

### **What if I am unable to pay my Self-Assessment Tax Bill?**

You can delay making your second payment on account. If you choose to delay, you'll have until 31 January 2021 to pay it.

If you have filed your return and owe less than £10,000 you might be able to arrange to pay in instalments online. You do not need to contact HMRC if you have set up a payment plan online.

You will have to call the Self-Assessment helpline at 0300 200 3822 if you have missed your payment date or you cannot use the online service.

The helpline is open Monday to Friday 8am to 4pm. The helpline will not be available on Bank Holidays.

## **Tax Reliefs - Time to Pay**

### **What can I do if I am experiencing financial difficulties?**

You may apply to get help from HMRC through the Time to Pay ("TTP") scheme.

### **What is Time to Pay ("TTP") scheme?**

It is a scheme which allows taxpayers who cannot afford to pay on the due date to make payments over a period they can afford. Arrangements are tailored to the ability of the taxpayer to pay and are typically for a few months up to 12 months.

### **Who is eligible for the TTP scheme?**

All businesses and self-employed are eligible. However, HMRC is generally not willing to offer payment plans to high risk businesses. Whether a business is a high-risk business depends on a number of factors:

- Your businesses' compliance with tax rules and regulations
- Industry
- Past experience of TTP arrangements

### **Can HMRC reduce the amount of tax due?**

HMRC can never reduce the amount of tax due as part of a TTP arrangement.



### **What will HMRC assess if I apply for the TTP?**

- That you are unable to pay your liability by the actual due date
- Your proposal in terms of what you can afford to pay over a specific time period
- The long-term viability of your company
- The probability of a TTP plan being successful

### **If I was granted TTP, what are my obligations?**

You should offer the best payment proposals that you can realistically afford. If your ability to pay improves during the TTP period, then you must contact HMRC and increase your payments/clear the debt. You must also meet these payments in full and on time.

### **Are there situations where HMRC may withdraw the TTP agreement?**

HMRC is bound by TTP agreements that it enters into, but is entitled to withdraw if:

- new facts come to light that don't support TTP
- the taxpayer has misled HMRC or been untruthful
- the taxpayer defaults on the arrangement or does not satisfy the conditions of their TTP
- any other reason comes to light where it becomes apparent that tax is at risk

### **Where can I get further information or to apply for TTP?**

HMRC has set up a new helpline to help businesses concerned about paying their tax due to coronavirus (COVID-19). You may contact them at 0800 024 1222.

The hotline is open Monday to Friday 8am to 4pm. The helpline will not be available on Bank Holidays.

## **The Coronavirus Statutory Sick Pay Rebate Scheme**

### **What is Statutory Sick Pay (“SSP”)?**

SSP is paid by an employer to all employees who are off work because of sickness for longer than 4 consecutive days but less than 28 weeks and who normally pay National Insurance contributions. Receiving SSP usually requires evidence from the employee's GP that they are sick. Information about SPP can be found [here](#).

However, since Covid-19, many employees have been forced to self-isolate without necessarily being ill or cannot obtain proof of their illness if they suspect that they have Covid-19.

### **How is the Government assisting employers?**

The Coronavirus Statutory Sick Pay Rebate Scheme will repay employers the current rate of SSP that they pay to current or former employees for periods of sickness starting on or after 13 March 2020.

As an employer, you can pay SSP to an employee who is sick or self-isolating for more than 4 days because of coronavirus (COVID-19) from the first day, up to a maximum of 2 weeks and reclaim this from the government.

Employees do not need to provide evidence of sickness from their GP to qualify.

### **How do I claim SSP through the scheme?**

HMRC will provide an online service for employers reclaim SSP, however it is not yet available. HMRC will announce when the service is available through [SSP Rebate Scheme website](#).

In the meantime, employers should keep records of:

- the start and end dates of employees' absence;
  - the reason for their absence
- the employee's National Insurance number.

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## 5. Commercial Leases and Forfeiture

Some businesses will be struggling to pay rent and service charges on their commercial property.

Most commercial leases require prompt payment of these sums to avoid the landlord taking action to forfeit the lease.

The information contained here is for businesses that have a lease of 6 months or more in England or Wales. It excludes agricultural businesses.

### What is forfeiture?

Most leases include forfeiture provisions which may be called 're-entry' in some lease documents which allows the landlord to bring the tenancy to an end after a defined period because the tenant:

- failed to do something they agreed to do (e.g. pay rent), or
- has done something they agreed not to do (e.g. hang a sign on an external wall).

### How has Covid-19 modified forfeiture?

The Government passed a temporary law that prevents commercial landlords from starting forfeiture proceedings for non-payment of rent.

Currently, the law is in place from 25 March – 30 June 2020. The Government can opt to extend this period if it deems it necessary.

The temporary law only relates to non-payment of rent. Rent is any sum the tenant is liable to pay to the landlord and can include service & maintenance charges, interest, insurance rent as required by your lease, and VAT charges. Other periodic payments that are paid directly to someone else, such as other insurance premiums to your insurer (e.g. stock insurance) or bills to your utility providers, are not considered rent. They cannot pursue forfeiture as these types of payments fall outside the tenant-landlord relationship.

Other obligations under the lease, other than the payment of rent, can still be enforced through forfeiture.

### Does my business still have to pay rent?

Yes, your business is still liable to pay rent as outlined in your lease and includes the period of 25 March – 30 June 2020. The temporary law means that your landlord can't start forfeiture proceedings for non-payment of rent against you during this time.

### What if my business can't afford rent?

If your business can't make rent payments, you may be able to obtain help or relief through grants and schemes as detailed in this factsheet.

If you are falling behind, consider contacting your landlord with a view to coming to a solution. Your landlord may be open to negotiating a payment plan in light of the unique circumstances caused by Covid-19, including that courts will likely see a significant backlog of cases.

Your landlord could consider any of the following options if you fail to pay rent or come to an alternative arrangement:

- Charge interest on the unpaid rent per your lease agreement.
- Serve a statutory demand which is a written document that demands the payment of the debt.
- Undertake Commercial Rent Arrears Recovery (CRAR). This allows the landlord to take control of your business's goods and sell them to cover the outstanding rent amount. Before undertaking CRAR the landlord must give you at least 7 days' notice.
- Make a court claim for money.
- If they have rent guarantee or protection insurance, make a claim with their insurer.
- Serve a section 146 notice for breach (until the temporary law ceases, the landlord will not be able to start forfeiture proceedings after the notice has been served).
- Once the temporary law ceases your landlord may still start forfeiture proceedings.

## **Further Information**

BPP Pro Bono Centre has produced a series of Factsheets looking at how COVID-19 impacts on a range of different people. All of our factsheets can be viewed on the Pro Bono Centre Blog here: <http://probono.bppuniversity.ac.uk/blog/>

### **Help and Advice**

#### **Gov.uk: Guidance: COVID-19: support for businesses**

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

#### **British Business Bank**

<https://www.british-business-bank.co.uk>

#### **BPP Legal Advice Clinic for Enterprise (BLAC Enterprise)**

<https://probono.bppuniversity.ac.uk/blog/projects/business-legal-advice/>

#### **Citizens Advice**

<https://www.citizensadvice.org.uk/>

#### **Federation of Small Businesses**

<https://www.fsb.org.uk/>

### **Information and Updates**

The UK Government publishes a number of documents and updates as part of the ongoing response to Covid-19. These can be found on the UK Government website here:

<https://www.gov.uk/coronavirus>

### **Useful Contacts**

1. Self-Assessment tax bill helpline: **0300 200 3822**

The helpline is open Monday to Friday 8am to 4pm. The helpline will not be available on Bank Holidays.

2. HMRC helpline for Time to Pay Scheme: **0800 024 1222**

The hotline is open Monday to Friday 8am to 4pm. The helpline will not be available on Bank Holidays.

### **Wellbeing**

This is an extremely difficult time for everyone. There is much uncertainty and a lot of anxiety. Along with your physical health, it is important to look after your emotional wellbeing during this period. There are a number of organisations that can help you during this difficult time.

**NHS: Every Mind Matters** - <https://www.nhs.uk/oneyou/every-mind-matters/>

**Mind** - 0300 123 3393 (Monday to Friday, 9am to 6pm) [www.mind.org.uk](http://www.mind.org.uk)