

Government Support for Business During 2nd Lockdown

As we enter the second nationwide lockdown in England this summary looks at the measures hastily announced by the government since making that announcement, along with other ongoing support mechanisms for business. The summary covers:

- Extension of the CJRS
- Local Restrictions Grant Support
- Self-Employment Income Support Scheme – Grants 3 & 4
- Extending of CBILS, CLBILS, Bounce back, and Future Fund application deadlines & Changes to Government Loan Guarantees.

In addition to these areas recent announcements include:

- Businesses are now able to spread their deferred VAT bill over 11 smaller repayments with no interest to pay. Businesses will need to “opt in” if they wish to take advantage of this new facility, known as the “New Payment Scheme”.
- An extension for self-assessed income taxpayers on their outstanding tax bill over 12 months from next January. The payment date for the tax instalment which was due 31 July 2020 had previously been extended to 31 January 2021 for all taxpayers paying tax by Self-Assessment, and today’s announcement offers the opportunity for certain taxpayers of a further deferral of the July 2020 instalment (together with the forthcoming January 2021 liability) and allowing for these to be by monthly instalments from February 2021 to January 2022. “Certain taxpayers” is reference to those with Self-Assessment tax liabilities not exceeding £30,000.
- The 15 per cent VAT rate cut for the hospitality and tourism sectors has also been extended until March 31. Before the extension, VAT rates for the two sectors were expected to increase from 5 per cent back to the standard rate of 20 per cent on January 13.

Extension of CJRS:

Coronavirus Job Retention Scheme (CJRS) - also known as the Furlough scheme - will remain open until 31 March 2021, with employees receiving 80% of their current salary for hours not worked, up to a maximum of £2,500. The £2,500 cap is proportional to the hours not worked. The government will review the policy in January to decide whether economic circumstances are improving enough to ask employers to contribute more. For claim periods running to January 2021, employees will receive 80% of their usual salary for hours not worked, up to a maximum of £2,500 per month.

Claims can be made by employers across the UK that meet the eligibility criteria.

1. Employers who can claim under the CJRS extension

Employers do not need to have used the CJRS previously.

Employers across the UK can claim, whether their businesses are open or closed.

The government expects that publicly funded organisations will not use the scheme, as has already been the case for CJRS, but partially publicly funded organisations may be eligible where their private revenues have been disrupted. All other previous CJRS eligibility requirements also apply to these employers

Full details will be included in full guidance which will be published on 10 November 2020.

2. Employees furloughed under the CJRS extension

Eligibility: Employers can claim for employees who were employed and on their PAYE payroll on 30 October 2020. The employer must have made a PAYE Real Time Information (RTI) submission to HMRC between the 20 March 2020 and 30 October 2020, notifying a payment of earnings for that employee.

Employers will have flexibility to use the scheme for employees for any amount of time or shift pattern, furloughing employees on either a full-time or part-time basis, and will be able to vary the hours worked in agreement with the employee.

As under the current CJRS rules, employees can be on any type of employment contract.

2.2 Employees not claimed for previously under CJRS

Employees do not need to have been furloughed under the CJRS previously.

For employees that meet the eligibility criteria, and were previously furloughed, employers must use [the same calculations for calculating reference pay and usual hours](#) as CJRS. For an employee who meets the criteria of the extended scheme but was not previously eligible for CJRS, the alternative calculations of [reference pay](#) and [usual hours](#) must be used. For all other employees, employers must use the [CJRS calculations for calculating reference pay and usual hours](#).

Employer contributions for hours not worked by their employee, will cover National Insurance and employer pension contributions. The government will review the policy in January to decide whether economic circumstances are improving enough to ask employers to contribute more. Employers will have to pay the employee's wages for the hours they work as normal, as well as employer National Insurance and employer pension contributions.

2.3 Employees whose health has been affected by coronavirus or other conditions

Employees can be furloughed where they are unable to work because they:

- are shielding in line with public health guidance (or need to stay at home with someone who is shielding)

- have caring responsibilities resulting from coronavirus, including employees that need to look after children

The CJRS is not intended for short-term sick absences. If, however, employers want to furlough employees for business reasons and they are currently off sick, they are eligible to do so, as with other employees.

Furloughed employees who become ill, due to coronavirus or any other cause, must be paid at least Statutory Sick Pay (SSP). As under the CJRS previously, it is up to employers to decide whether to move these employees onto SSP or to keep them on furlough, at their furloughed rate.

2.4 Employees re-employed by their employer

Employees that were employed and on the payroll on 23 September 2020 who were made redundant or stopped working for their employer afterwards can be re-employed and claimed for. The employer must have made a PAYE Real Time Information (RTI) submission to HMRC from 20 March 2020 to 23 September 2020, notifying a payment of earnings for those employees.

Similarly, an employee who was on a fixed term contract, on payroll on 23 September, and that contract expired after 23 September can be re-employed and claimed for, provided that the other eligibility criteria are met.

2.5 When employees are on furlough

During hours which employees are recorded as being on furlough, they cannot do any work for their employer that makes money or provides services for their employer or any organisation linked or associated with their employer.

Employees can:

- take part in training
- volunteer for another employer or organisation
- work for another employer (if contractually allowed)

2.6 Maintaining employee rights

Employees will retain their rights at work, including:

- SSP
- annual leave
- maternity and other parental rights
- rights against unfair dismissal
- redundancy payments
- to be paid at least statutory National Minimum Wage for hours worked

In addition, as with the current CJRS:

- the Working Tax Credits working hours easement will apply for the period of this CJRS extension
- for employees on statutory parental leave, there will be no change from CJRS

3. Other conditions of claiming CJRS

3.1 Paying employees' taxes

Employees will still pay the taxes they normally pay out of their wages.

Employers must deduct and pay to HMRC Income Tax and employee National Insurance contributions on the full amount that they pay the employee, including any scheme grant. The CJRS grant does not cover employers' National Insurance contributions or pension contributions.

Employers must also pay to HMRC the employer National Insurance contributions on the full amount that they pay the employee, including any scheme grant.

3.2 Employer – employee agreement

Employees cannot undertake any work for their employer during the hours that the employer records them as being on furlough.

There is no minimum furlough period. Flexible furlough agreements can last any amount of time. Employees can enter into a flexible furlough agreement more than once. Although flexible furlough agreements can last any amount of time, unless otherwise specified the period claimed for must be for a minimum claim period of 7 consecutive calendar days.

Employers can:

- fully furlough employees – this means the employee does not work for the employer
- flexibly furlough employees – this means employees can work for any amount of time, and any work pattern and claim the grant for the furloughed hours, with reference to hours the employee would usually have worked in that period

Employers should discuss with their staff and make any changes to the employment contract by agreement. To be eligible for the grant, employers must have confirmed to their employee (or reached collective agreement with a trade union) in writing that they have been furloughed or flexibly furloughed.

Employers must:

- make sure that the agreement is consistent with employment, equality, and discrimination laws
- keep a written record of the agreement for 5 years

- keep records of how many hours their employees work and the number of hours they are furloughed (for example, not working), for 6 years

The employee does not have to provide a written response and employers do not need to place all their employees on furlough.

The terms of any agreement must:

- reflect the hours the employee has worked or not worked over the period of the agreement
- allow the employer to satisfy the terms of CJRS so they can make a claim in relation to hours not worked

Where consistent with employment law, any flexible furlough or furlough agreement made retrospectively that has effect from 1 November 2020 will be valid for the purposes of a CJRS claim if it is made according to the conditions above. Only retrospective agreements put in place up to and including the 13 November 2020 may be relied on for the purposes of a CJRS claim.

4. What employers can claim - calculations

This policy paper applies for CJRS claims for periods starting on or after 1 November 2020.

The closing date for [claims up to and including 31 October remains 30 November 2020](#), using existing CJRS guidance.

All employees on an RTI submission on or before 19 March 2020 will be able to use the CJRS calculations as applied in August 2020 for reference pay and usual hours. However, for new employers claiming and new employees hired between 20 March 2020 and 30 October 2020 the CJRS methodology will update the reference pay and usual hours to take account of the period covered by the extension.

For employees on fixed pay employed on or after 20 March 2020, the last pay period prior to 30 October 2020 provides the basis for calculation. For employees on variable pay or hours, employed after 20 March, the average of tax year 2020 to 2021 up to the start of the furlough provides the basis for calculation.

4.1 For employees who were previously eligible for CJRS, the calculation rules will remain the same

The existing CJRS calculation of 80% of usual wages and of usual hours will apply to all employees who were eligible under CJRS even if a claim was not made in respect of that employee under CJRS to 31 October 2020.

Where an employee was not previously eligible for CJRS, the calculation will take account of updated reference periods. Full details of the calculation **will be shared in guidance on 10 November 2020**.

Employers can top up employee wages above the maximum salary threshold at their own expense.

4.2 Reference pay: calculating 80% of wages

If an employee was not previously eligible for CJRS, 80% of wages must be calculated for employees:

- on a fixed salary - 80% of the wages payable in the last pay period ending on or before 30 October 2020
- whose pay varies - 80% of the average payable between (these dates are inclusive) the start date of their employment or 6 April 2020 (whichever is later) and the day before their CJRS extension furlough periods begins

80% of wages is capped at the maximum wage amount which will be [calculated in the in the way it was for CJRS before the extension](#)

4.3 Usual hours for an employee who is contracted for a fixed number of hours and whose pay does not vary according to the number of hours they work

If an employee was not previously eligible for CJRS, then usual hours for an employee who is contracted for a fixed number of hours and whose pay does not vary according to the number of hours they work, will be the contracted hours worked in the last pay period ending on or before 30 October 2020.

4.4 Usual hours for an employee who works variable hours

If an employee was not eligible for CJRS then the usual hours will be the average hours worked between (these dates are inclusive):

- the start date of the 2020 to 2021 tax year, (for example, 6 April 2020)
- the day before their CJRS extension furlough periods begins

5. How employers can claim under the CJRS extension

The extended CJRS will operate as the previous scheme did, in several respects:

- employers must report and claim for a minimum period of 7 consecutive calendar days
- employers will need to report actual hours worked and the usual hours an employee would be expected to work in a claim period
- for hours worked, employees will be paid by their employer subject to their employment contract and employers will be responsible for paying the tax and NICs due on those amounts

The claim period must start and end within the same calendar month. If the pay period includes days in more than one month. Each of those claims will need to be calculated separately. Claim periods cannot overlap, and employees claimed for will need to be included in each separate claim made.

An employer can make a claim in anticipation of an imminent payroll run, at the point they run their payroll or after they have run their payroll. There will be a short period when the legal terms of the scheme and system are updated. Businesses will need to claim in arrears for this period. There will be no gap in eligibility of support between the previously announced end-date of CJRS on 31 October 2020 and this extension starting 1 November 2020.

Employers will be able to claim from 8am on Wednesday 11 November 2020. Claims can be made:

- in respect of an employee for a minimum 7-day claim window
- in advance
- in arrears for the period from 1 November 2020 to 11 November 2020, from the week commencing 9 November 2020

Claims relating to November 2020 must be made by 14 December 2020. Claims relating to each subsequent month should be submitted by day 14 of the following month, to ensure prompt claims following the end of the month which is the subject of the claim. The closing date for claims up to and including 31 October remains 30 November 2020.

Grants payments are anticipated 6 working days after the first claims.

Agents who are authorised to do PAYE online for employers will be able to claim on their behalf.

6. Interaction with other Coronavirus Job Schemes

The launch of the Job Support Scheme has been postponed because of national developments related to the coronavirus pandemic.

The **Job Retention Bonus (JRB) will not be paid in February 2021** and a retention incentive will be deployed at the appropriate time. The purpose of the JRB was to encourage employers to keep people in work until the end of January. However, as the CJRS is now being extended to 31 March 2021, the policy intent of the JRB no longer applies.

Local Restrictions Support Grant (LRSB):

Business premises forced to close in England can receive grants worth up to £3,000 per month under the Local Restrictions Support Grant. This grant has been in place since the introduction of tiered local lock downs but will extend nationwide throughout the national lock down in November.

The Local Restrictions Support Grant (LRSB) supports businesses that were open as usual, providing services in person to customers from their business premises, but which were then required to close for at least 3 weeks due to local lockdown restrictions imposed by government.

There are 5 areas of guidance that have been provided to Local Authorities. In summary, these are:

Documents	Aimed at businesses
Local Restrictions Support Grant (Closed) Addendum; Local Restrictions Support Grant (Closed)	Eligible, business rate paying business that are required to close under Local Covid Alert Level 'Very High' restrictions (LCAL 3) or a national lockdown.
Local Restrictions Support Grant (Open)	Eligible, business rate paying business that are still open but severely impacted by Local Covid Alert Level 'High' (LCAL 2) and 'Very High' (LCAL 3) restrictions.
Additional Restrictions Support Grant (ARG)	Businesses which – while not legally forced to close – are nonetheless severely impacted by the restrictions put in place to control the spread of Covid-19. Discretionary – at discretion at Local Authorities.
Local Restrictions Support Grant (Sector)	Businesses that have been required to close due to national restrictions imposed on 23 March 2020 and which have not been able to re-open as a result of regulations made under the Public Health (Control of Disease) Act 1984.

LRSB Closed

Guidance at [link](#) and [link](#).

Eligible businesses

“Businesses that were open as usual and providing in-person services to customers from their business premises and then required to close for a consecutive period of no less than 14 days as a result of regulations.... will be eligible for funding.”

Excluded are “Businesses that are able to continue to trade because they do not depend on providing direct in-person services from premises and can operate their services effectively remotely (e.g. accountants, solicitors).”

Funding

“Local Authorities, subject to local eligibility, will receive funding to meet the cost of payments to businesses within the business rates system based on an assessment of the number of eligible business hereditaments”.

Local Authorities to make the payments to businesses in 14-day tranches (local) or 28-day tranches (national).

<i>Rateable value</i>	<i>Payment per qualifying restriction period (local/ national)</i>
exactly £15,000 or under	£667 / £1,334
over £15,000 and less than £51,000	£1,000 / £2,000
exactly £51,000 or above	£1,500 / £3,000

“Subject to State aid limits, businesses will be entitled to receive a grant for each eligible hereditament within the restriction area. So, some businesses may receive more than one grant where they have more than one eligible hereditament.”

LRSO (Open)

This will be in operation once national lockdown comes to an end and local restrictions will apply again.

Guidance at [link](#).

Eligible businesses

“The Local Restrictions Support Grant (Open) is aimed at hospitality, hotel, bed & breakfast and leisure businesses. Local Authorities will have discretion as to how to award grant funding to individual businesses... The list is not exhaustive but is intended as a guide to Local Authorities on the types of business that the Government considers should be a priority for the scheme”.

Funding

“Government will provide grant funding to Local Authorities to support eligible businesses that are affected by LCAL 2 and 3 restrictions. This funding will be provided on a rolling 28-day basis for as long as LCAL 2 or 3 restrictions apply”.

<i>Rateable value</i>	<i>Payment per 28-day period</i>
exactly £15,000 or under	Up to £934

over £15,000 and less than £51,000	Up to £1,400
exactly £51,000 or above	Up to £2,100

Additional Restrictions Grant (ARG)

Guidance at [link](#). Extracts below.

Eligible businesses

“...we encourage Local Authorities to develop discretionary grant schemes to help those businesses which – while not legally forced to close – are nonetheless severely impacted by the restrictions put in place to control the spread of Covid-19. This could include – for example – businesses which supply the retail, hospitality, and leisure sectors, or businesses in the events sector.”

Local Authorities could also use the fund to:

- help businesses outside the business rates system, which are effectively forced to close – for example market traders.
- to provide additional support to larger local businesses which are important to the local economy, on top of the funding provided to those businesses via the LRS (Closed) scheme.

Businesses must have been trading on the first full day of national or LCAL 3 restrictions to be eligible to receive a grant support.

Funding

“Local Authorities will receive a one-off lump sum payment amounting to £20 per head in each eligible Local Authority when LCAL 3 or widespread national restrictions are imposed. Local authorities can use this funding for business support activities”.

“Local Authorities can determine how much funding to provide to businesses from the ARG funding provided, and exactly which businesses to target.”

LRS (Sector)

Guidance at [link](#).

Eligible businesses and Funding

Eligible businesses are:

1. Nightclubs, dance halls, and discotheques
2. Sexual entertainment venues and hostess bars

Businesses must have been trading on 23 March 2020 to be eligible to receive a grant payment. If new national closures of business property types are announced, then the business must have been trading on the date of the announced closure to be eligible.

Payments will be made for each 14-day period of closure from 1 November 2020.

Funding will be at levels Local Restrictions Support Grant (Closed)

Interaction Between the Schemes

Businesses will not be eligible for multiple versions of the Local Restrictions Support Grant under widespread national restrictions.

LRSB (Closed) scheme will be netted off from the funding provided by the LRSB (Open) scheme.

Local Authorities will be able to use their additional restriction grant funding to top up grant funding where they deem it necessary to support businesses essential to their local economies.

General Exclusions from all the schemes

Businesses that have already received grant payments that equal the maximum levels of State aid permitted under the de minimis and the Covid-19 Temporary State Aid Framework.

More Details / How to Apply

Businesses should look on their local councils' websites to find out the application process, once announced.

The Self-employment Income Support Scheme (SEISS) – Grants 3 & 4:

Previous updates covered the first two grants under the SEISS

The third grant will cover a 3-month period from 1 November 2020 until 31 January 2021. The Government will provide a taxable grant calculated at 80% of 3 months average monthly trading profits, paid out in a single instalment and capped at £7,500 in total. This is an increase from the previously announced amount of 55%.

As before the grants are taxable income and subject to National Insurance contributions.

Eligibility

HMRC has yet to publish legislation to set the rules for the next two SEISS grants, but it is expected the following conditions to apply:

- The trader must have been eligible for the previous SEISS grants (even if they did not apply for them).
- The business has not ceased permanently at the date of the claim.
- If the business is not actively trading there is an intention to resume trading before April 2021.
- The business has been adversely affected by the covid-19 pandemic in the period from 1 November 2020 to the date of the claim.

The third SEISS grant will be based on the trader's reported self-employed profits in the three years to 2018/19, or parts of that period when he was in business as a self-employed individual or partner.

Fourth grant

The government has promised a fourth SEISS grant payable for three months from February to April 2021. We have no information about the level of this grant, or the capped amount.

In September 2020 HMRC indicated that this fourth grant would be based on the trader's average annual self-employed profits for the tax years: 2016/17 to 2018/19. By the time the fourth SEISS grant is paid in early 2021, almost two years of recent trading results will have been left out of that profit calculation. It is quite possible that the Chancellor will change his mind again by February 2021 to allow profits from 2019/20 to be included in the averaging calculation.

Applications:

The online service for the third grant will be available from **30 November 2020**. HMRC will provide full details about claiming and applications in guidance on GOV.UK in due course.

Extending of CBILS, CLBILS, Bounce back, and Future Fund application deadlines & Changes to Government Loan Guarantee

The loan applications for CBILS and Bounce backs (BBLs) were due to end at the end of November.

UK firms will now have until the end of January to apply for emergency business loans, including bounce back loans (BBLs), coronavirus business interruption loans (CBILS) and the CLBILS scheme for larger firms. That is two months longer than the existing 30 November deadline. The extension also applies to the Future Fund, aimed at UK start-ups.

Small businesses that already received funds through the BBLs programme will also be able to top up existing loans if they need additional cash. The top-up is meant to help firms that borrowed less than the maximum sum available (up to 25% of their turnover to a limit of £50,000) to avoid taking on extra debt. However, most firms made those calculations before the second lockdown in England was announced.

For those business that have already taken out loans and for those taking them up to the end of January there are also some important changes:



Pay As You Grow for Bounce back Loans:

- Repayments can now be extended from six to ten years.
- businesses who are struggling can now choose to make interest-only payments.
- Those in real trouble can apply to suspend repayments altogether for up to six months.

No business taking up Pay As You Grow will see their credit rating affected as a result.

CBILS Government Guarantee:

The guarantee from the government for 80% of CBILS loans has been extended to up to 10 years – giving businesses further time to repay if required. Please note: the lenders will not offer longer terms to new applications and will only extend terms to current and future CBILS borrowers at their discretion in the event of the borrower struggling to repay.

The details of the schemes were covered in earlier updates, and are included in Appendix A

Appendix A: CBILS, CLBILS, BBLs, & Future Fund

The Bounce Back Loan Scheme:

This scheme is delivered by lenders accredited by the British Business Bank. The Bounce Back Loans target small and micro businesses in all sectors, providing loans from £2k up to 25% of the business' turnover with a maximum loan of £50k.

Lenders are provided with a 100% government-backed guarantee.

Scheme features

The Bounce Back Loan Scheme enables businesses to obtain a six-year term loan at a government set interest rate of 2.5% a year. The government will cover interest payable in the first year.

Up to £50,000 loan: Loans will be from £2,000 up to 25% of a business' turnover or £50,000, whichever is lower.

100% guarantee: The scheme provides the lender with a government-backed, full guarantee (100%) against the outstanding facility balance, both capital and interest. **The borrower always remains 100% liable for the debt**

Interest rate: The government has set the interest rate for this facility at 2.5% per annum, meaning businesses will all benefit from the same, low rate of interest.

Interest paid by government for 12 months: The government will make a Business Interruption Payment to the lenders to cover the first 12 months of interest payable, so businesses will benefit from no upfront costs.

No principal repayments for first 12 months: Borrowers will not have to begin principal repayments for the first 12 months, thereafter capital will be repaid on a straight-line basis.

No guarantee fee for businesses or lenders to access the scheme

Finance terms: The length of the loan is for six years but early repayment is allowed, without early repayment fees.

No personal guarantees: No personal guarantees are allowed, and no recovery action can be taken over a principal private residence or principal private vehicle.

Eligibility criteria

Businesses from all sectors* can apply for a facility. The business must self-certify to its lender the following:

- Confirm it is UK-based in its business activity, and established by 1 March 2020
- Confirm it has been adversely impacted by the Coronavirus (Covid-19)
- Confirm it is not currently using a government-backed Coronavirus loan scheme (unless using BBLS to refinance a whole facility)
- Confirm it is not in bankruptcy, liquidation or undergoing debt restructuring

*Credit institutions (falling within the remit of the Bank Recovery and Resolution Directive), public sector bodies, a state -funded primary or secondary schools and insurance companies are not eligible to apply and subject to State-Aid restrictions

How to apply

Businesses should check the [scheme page](#) on the British Business Bank website to find out which lenders provide Bounce Back Loans.

Businesses will be required to fill in a short online application form on their lender's website, which self-certifies whether they are eligible for a Bounce Back Loan facility. Eligible companies will be subject to standard customer fraud, Anti-Money Laundering (AML) and Know Your Customer (KYC) checks. Some State aid restrictions may apply to applications.

Interaction with CBILS

If a business has been successful in applying for a CBILS loan it cannot apply for the Bounce Back Loan, however if that CBILS loan would fit within the Bounce Back Scheme limits (i.e. £50k or less) the business can apply to their lender to convert to Bounce Back.

If a business has a CBILS appeal ongoing current advice is to apply for the Bounce Back if that would meet their needs. If a business has a Bounce Back loan and is successful in applying for a CBILS loan, then the Bounce Back loan will need to be repaid at the point of CBILS funds being made available.

The Coronavirus Business Interruption Loan Scheme (CBILS):

A summary of the scheme is below (more details are on the British Business Bank website, see Appendix A). The scheme now runs to 31st January 2021.

Interaction with R&D Tax Credits:

A firm that receives a CBILS loan will see an impact on future R&D tax credit claims if the loan is used to fund R&D activity. HMRC are currently stating that any claim for tax credit in respect of that R&D activity funded by a CBILS loan would need to be under the Research

and Development Expenditure Credit Scheme (rather than the more favourable SME R&D relief scheme). The view current view of tax professionals is that businesses should keep a record of how the loan is used, and should they be able to demonstrate it was used for general business purposes and not R&D they should be able to claim under the SME R&D scheme.

Private Equity backed firms and CBILS:

The British Business Bank have confirmed that companies with private equity investors are eligible for CBILS provided that the other requirements are met. When assessing eligibility, the £45m turnover threshold will exclude the private equity investor and its investment portfolio.

The funding of private equity investments through loan notes and other debt instruments, rather than by way of share capital, may however result in them technically being a 'business in difficulty' (as detailed below) due to their debt to equity ratio, in which case they could not access CBILS. It is noted that the British Private Equity and Venture Capitalist Association (BVCA) are making ongoing representations to the government to seek to address this issue and further updates are available from the BVCA's website <https://www.bvca.co.uk/About-Us/Coronavirus-Updates>

Changes to the "Undertaking in Difficulty" rule for eligibility

Businesses applying for the Coronavirus Business Interruption Loan Scheme (CBILS) or Coronavirus Large Business Interruption Loan Scheme (CLBILS) now benefit from more flexibility on the date the test of whether or not their business is an "undertaking in difficulty" is assessed.

To be eligible for these schemes, businesses previously had to demonstrate that they were not an "undertaking in difficulty" – a requirement under EU State aid law – as of 31 December 2019.

The definition of 'undertaking in difficulty' includes businesses that:

- had accumulated losses greater than half of their subscribed share capital (for limited liability companies) or capital (for unlimited liability companies)
- had entered into collective insolvency proceedings or fulfilled the criteria to be put into collective insolvency proceedings
- had previously received rescue aid that was yet to be reimbursed or (in the case of a guarantee, terminated)
- had received restructuring aid and were still under a restructuring plan
- had (where the undertaking is not an SME) fallen below the required solvency ratios (see further below) for the previous two years.

The new guidance allows for the “undertaking in difficulty” assessment to be determined at the date of application for the schemes. Businesses that were “undertakings in difficulty” on 31 December 2019 but are no longer “undertakings in difficulty” will now be (in principle) eligible for the schemes.

This flexibility means that businesses can take action to convert their debt (for example, in the form of loan notes) to shares (equity) in order to qualify for the schemes, giving them the option to restructure their finances before application so they may become eligible.

Accessing the CBILS scheme:

The CBILS scheme is operated by all the major banks and lenders in the UK to access the scheme a business will need to contact their existing bank or another lender. The business should a lender via the lender’s website, or via your relationship manager at the bank. Not every accredited lender can provide every type of finance available under CBILS, and the amount of finance offered varies between lenders. Refer to individual lenders’ websites for more information on the amounts they can offer.

Ultimately, it is the lender that has the authority to decide whether to offer a business finance. Under the scheme, **lenders will not take personal guarantees of any form for facilities below £250,000.**

For facilities above £250,000, personal guarantees may be required, at a lender’s discretion, 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.

If one lender turns a business down, businesses can still approach other lenders within the scheme.

The scheme is open to smaller businesses facing cashflow difficulties even if they meet the requirements for a standard commercial facility.

Who is eligible?

The business must:

- Be UK-based in its business activity.
- Have an annual turnover of no more than £45 million.
- Have a borrowing proposal which the lender would consider viable, were it not for the current pandemic.
- Self-certify that it has been adversely impacted by the coronavirus (COVID-19)
- Not classed as a business in difficulty on 31st December 2019 if applying to borrow £30,000 or more.

Businesses from any sector can apply, **except** the following:

- Banks, insurers, and reinsurers (but not insurance brokers)
- Public-sector bodies
- State-funded primary and secondary schools

Businesses will need to provide the following to the lender:

- Details of the loan – The amount that is being requested, what the money is for, repayment period (the lender will assess affordability)
- Supporting documents - evidence to show that the business can afford to repay the loan. This is likely to include:
 - Management accounts
 - Cash flow forecast
 - Business plan
 - Historic accounts
 - Details of assets.

These requirements will vary from lender to lender. If a business does not have everything listed here, a CBILS loan could still be an option.

The Coronavirus Large Business Interruption Loan Scheme (CLBILS):

A lender can provide up to 25% of a business's annual turnover. The maximum amount that can be borrowed is £200 million. The loan will be 80% guaranteed by the Government for the lender, the borrower will remain liable for the full 100% of the loan. The scheme is available through a range of accredited lenders, which are listed on the [British Business Bank](#) website. Facilities backed by a guarantee under CLBILS are offered at commercial rates of interest. This scheme is designed for businesses that have been impacted by Covid-19 who are unable to secure regular commercial financing.

To be eligible a business must:

- Be UK-based in its business activity.
- Have an annual turnover more than £45 million.
- Be able to self-certify that the business has been adversely impacted by Covid 19.
- Not have received funding through the CCFF.
- Have a borrowing proposal which the lender:
 - would consider viable, were it not for the COVID-19 pandemic
 - believes will enable you to trade out of any short-term to medium-term difficulty

Businesses from any sector can apply, except the following:

- credit institutions, insurers, and reinsurers (but not insurance brokers)
- building societies
- public-sector bodies
- state-funded primary and secondary schools.

The Future Fund:

The scheme provides convertible government loans to UK-based companies ranging from £125,000 to £5 million, subject to at least equal match funding from private investors. These convertible loans may be a suitable option for businesses that rely on equity investment and are unable to access the Coronavirus Business Interruption Loan Scheme. The scheme is delivered in partnership with the British Business Bank.

Eligibility:

- it is UK-incorporated - if the business is part of a corporate group, only the parent company is eligible
- it has raised at least £250,000 in equity investment from third-party investors in the last 5 years
- none of its shares are traded on a regulated market, multilateral trading facility or other listing venue
- it was incorporated on or before 31 December 2019
- at least one of the following is true:
 - half or more employees are UK-based
 - half or more revenues are from UK sale

The scheme is operated by the British Business Bank. It is open for applications until the end of January 2021. <https://www.uk-futurefund.co.uk/s/>