

Winter Economy Plan

I have today received this letter from the Chancellor:

I am writing to set out our Winter Economy Plan, the next phase of our planned economic response to coronavirus, following the Prime Minister's address to the nation.

There are reasons to be cautiously optimistic: thanks to our comprehensive and generous response in March, we have seen three consecutive months of economic growth, millions of people have moved off the furlough and back to work, and consumer spending is returning. But the resurgence of the virus threatens our recovery. And now it is clear we have to live with coronavirus for months to come, this means the economy cannot return to exactly as it looked in March and the economic rationale for the next phase of support must be different to that which came before.

So today, we are focussing on dealing with the problems businesses face right now – supporting viable jobs through a time of depressed demand.

Job Support Scheme

Now the economy is opening up, we should target support on those businesses that need it most: companies that have been impacted by coronavirus, and helping them to keep staff on reduced hours rather than laying them off, and to protect people's wages. Our aim is to protect viable jobs in businesses who are facing lower demand over the winter months due to coronavirus.

So we are launching a new employment scheme – the Job Support Scheme. The company will continue to pay its employee for time worked, but the burden of hours not worked will be shared equally between the employee, employer and government, a third each way. The Scheme is focused on viable jobs, so employees need to be working at least a 33% of the time, and this % will move up over time. The Scheme will open from 1 November, and run for six months until the end of April 2021.

All businesses, not just those who used the furlough scheme, will be eligible. Larger businesses (not SMEs) will only be eligible if their revenue has declined. Furthermore, there will be an expectation that large companies using the scheme will be constrained in their ability to make dividend payments or capital distributions to shareholders, and employees will not be able to be made redundant or given notice whilst on the scheme. Employers will also be able to use the Job Support Scheme as well as claim the Jobs Retention Bonus.

And to ensure parity between employees and self-employed, we will also provide a further grant for self-employed small businesses who used the existing SEISS scheme. Eligibility criteria will be refined to check whether the self-employed trader is still viable and trading and is suffering lower revenues as a result of coronavirus. The grant will match the average grant

of the Job Support Scheme, and represent 20% of three month earnings, for November to January.

Greater support for business' cash flow

We have also acted to minimise the strains on companies' cashflows so they can focus their resources on supporting employment:

- **Greater flexibility for repaying loans through our new 'Pay As You Grow' scheme.** We recognise that many of the one million small businesses who have benefitted from our loan schemes have never borrowed finance before. That is why we want to give them greater flexibility to repay these loans over a longer period and in way which suits their circumstances. All borrowers will now have the option to repay their Bounce Back Loans over a longer time period by extending the term of BBLs to ten years – this will reduce their average monthly repayments by almost half. On an average £30,000 loan, this reduces the monthly payment from £532 to £309.

Businesses will also be able to move to interest-only repayments for periods of up to six months – or to pause repayments entirely for the same period. It will have no impact on a business's credit rating if they take up any of those options. And we will also allow CBILS lenders to extend their loans to ten years as well by extending our Government guarantee, providing more flexibility and support for businesses.

- **More time for businesses to access our range of loan schemes.** Over 1 million businesses across the United Kingdom have already benefitted from over £57 billion through our business loan schemes. But we are giving them even more access to support by extending the deadline for new applications until the end of November for the Coronavirus Business Interruption Loan Scheme, the Coronavirus Large Business Interruption Loan Scheme, and the Future Fund. Along with our Bounce Back Loans, this means all four loan schemes will now expire at the end of November. We will work with businesses and lenders to introduce a new loan guarantee scheme from January 2021.

- **Extending our temporary VAT cut for tourism and hospitality.** To continue supporting the 150,000 businesses and 2.4 million jobs in tourism and hospitality, we are extending the temporary 5 per cent rate of VAT until the end of March 2021. When we announced this in July, this was originally due to end in January 2021, but we recognise that the tourism and hospitality sector has been severely affected by coronavirus.

- **Deferring repayments of VAT to support businesses during this period.** Over half a million businesses have already benefitted from being able to defer Q2 2020 VAT payments until March 2021 – worth over £30 billion to over half a million businesses. But we don't want businesses to face large bills for deferred VAT just as the economy is getting back on its feet – which is why we are launching a new scheme to allow businesses who want extra time to pay back the VAT they owe in smaller equal monthly payments, interest-free, until the end of March 2022. On average, this means turning a one-off £60,000 payment into 11 payments of less than £6,000.

- **More time for self-assessment businesses to pay back.** Around 1.5 million businesses who pay through income tax self-assessment benefitted from our Self-Assessment Tax Deferral, deferring an estimated £6 billion to be paid in July 2020 to the end of January 2021. But to help them further, we are upgrading our Time To Pay service so that all 11 million self-assessment taxpayers will be able to create a 12-month payment arrangement for up to £30,000 each, and extended under the end of January 2022 – that’s an 18 month deferral.

These measures build on the enormous amount the government has already done to protect people’s livelihoods and support businesses directly, through a package of loans, business grants, business rates relief and wage support already worth £190 billion. Our Plan for Jobs in July set out how we will go further to protect, support and create jobs as we get the UK economy back on its feet.

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