Grants and loans for members

Members will be aware that the Government have been making grants and loans available to help businesses during the crisis. To recap:

-Broadly speaking, grants of either £10k or £25k have been made available to businesses which are *rated* for business rating purposes with the Valuation Office (the VOA), whether or not the particular business actually pays rates (many are entitled to rates relief of one form or another); but

-Businesses which are *exempt* from being rated (as farms are generally and as many members have found, the same applies to many smaller vineyards classified purely as "agricultural" premises) do not qualify for the grants.

WineGB was left in a tricky position here: it was patently unfair that some vineyards got grants while other, almost identical, businesses did not. The difficulty is that there were two ways to solve the issue – the preferred way being to extend grants to exempt premises. But the government could also have solved the problem by removing grants from businesses which either paid no rates or possibly all vineyards/wineries. Some members also expressed concern that in the longer term the agricultural exemption (and a number of other reliefs, such as the flat rate VAT regime) for vineyards should not be put at risk by drawing attention to it. Not such a popular choice.

Our strategy therefore was to "tuck in" behind NFU's campaign which was far more broadly based and included industries other than wine production. We will probably never know whether that has now worked or whether Government simply noted the complaints and acted, but it has now acted and there are a number of new schemes available:

-First there is a discretionary grant scheme which allows local councils to make grants up to £25k to businesses which are not otherwise eligible – to see government document (1) below.

Second there are so called "bounce back loans" of up to £50k (which have to be repaid of course) available specifically to smaller businesses – to see government paper (2) below.

The point here is that the circumstances of individuals will inevitably vary widely, so no general conclusion can really be taken.

Thirdly- see Government letter to the banks. (3)

Conclusion: the overall lesson here is that if you are tempted down those or similar routes where you are changing the overall circumstances of your tax position in an unrelated way, **I would strongly urge you to take advice from your usual financial, tax or legal advisor before acting**. Hopefully with the two new schemes referred to above that will not be necessary, however.

Simon Robinson, Chairman

GOVERNMENT PAPERS

(1) New Bounce Back Loans to launch today

Britain's small businesses will be able to apply for quick and easy-to access loans of up to £50,000 from today – with the cash expected to land within days.

The Business Secretary Alok Sharma and Minister for Regional Growth and Local Government, Simon Clarke spoke to local authorities in England yesterday to set out that up to ***£617 million would be made available.***

This is an additional 5% uplift to the £12.33 billion funding previously announced for the Small Business Grants Fund (SBGF) and the Retail, Hospitality and Leisure Grants Fund (RHLGF), so up to £617 million. We will confirm the exact amount for each local authority next week.

This additional fund is aimed at small businesses with ongoing fixed property-related costs. We are asking local authorities to prioritise businesses in shared spaces, regular market traders, small charity properties that would meet the criteria for Small Business Rates Relief, and bed and breakfasts that pay council tax rather than business rates. But local authorities may choose to make payments to other businesses based on local economic need. The allocation of funding will be at the discretion of local authorities.

Businesses must be small, under 50 employees, and they must also be able to demonstrate that they have seen a significant drop of income due to Coronavirus restriction measures.

There will be three levels of grant payments. The maximum will be £25,000. There will also be grants of £10,000. local authorities will have discretion to make payments of any amount under £10,000. It will be for councils to adapt this approach to local circumstances.

Published 4 May 2020

(2) From:
HM Treasury

- **small businesses will be able to apply for quick and easy-to-access loans from today**
- **businesses will be able to borrow between £2,000 and £50,000 with the cash arriving within days**
- **loans will be 100% government backed for lenders, and businesses can apply online through a short and simple form**

Thousands of small firms and sole traders – including high street staples like hairdressers, coffee shops and florists – will be eligible for 100% government-backed Bounce Back Loans to help them make it through the coronavirus outbreak.

From 9am this morning, small business owners can apply to accredited lenders by filling out a simple online form, with only seven questions.

The government has also agreed with lenders that an affordable flat rate of 2.5% interest will be charged on these loans. And any business that has already taken out a Coronavirus Business Interruption Loan of £50,000 or less can apply to have these switched over to this generous new scheme.

The Bounce Back Loan scheme is the latest step in a package of world-leading support measures launched by Chancellor Rishi Sunak – with £7.5 billion already awarded in business grants, 4 million jobs supported through the job retention scheme and generous tax deferrals supporting hundreds of thousands of firms. To apply, see further information about the Bounce Back Loan scheme.

The Chancellor of the Exchequer, Rishi Sunak, said:

Small businesses will play a key role creating jobs and securing economic growth as we recover from the Coronavirus pandemic.

The Bounce Back loan scheme will make sure they get the finance they need - helping them bounce back and protect jobs.

Business Secretary Alok Sharma said:

We are backing small businesses, which are the backbone of our communities, with the support they need to stay afloat.
This new scheme of 100% government-guaranteed loans gives owners of even the smallest businesses the confidence and flexibility to borrow a sum which works for them. This will help ensure they can continue to trade, and be a key part of our efforts to reboot the British economy.
As part of the scheme, small businesses can borrow between £2,000 and £50,000. The government will provide lenders with a 100% guarantee and cover the cost of any fees and interest for the borrower for the first 12 months. No repayments will be due during this period to enable firms to get back on their feet.
The loans are available through a network of lenders, including the five largest banks.
Further Information

- Eligible companies will be subject to standard customer fraud, anti-money laundering (AML) and Know Your Customer (KYC) checks prior to any loan being made. Some State Aid restrictions may apply to applications.
- The borrower always remains 100% liable for the debt.

Government support for business of all sizes:

Firm Size	Turnover < £45m	Turnover > £45m	Investment grade
Bounce Back Loans (up to £50,000)	X	X	X
Coronavirus Business Interruption Loan Scheme (CBILS)	X		
Coronavirus Large Business Interruption Loan Scheme (CLBILS)		X	X
Covid Corporate Financing Facility (CCFF)			X
Job Retention Scheme	X	X	X
Business Grants (dependent on rateable value of the property)	X	X	X
VAT deferrals	X	X	X
Covering the cost of statutory sick pay	X	X	X
Future Fund (only if VC funded)	X	X	

Reactions from business groups:
Mike Cherry, National Chair of the Federation of Small Businesses, said:
“We know many small firms have struggled to secure small loans speedily. We are pleased that the Chancellor has listened, and swiftly developed this new scheme for small businesses to access finance quickly, interest-free for the first year and at an affordable fixed interest rate for the remainder.”
Tej Parekh, Chief Economist at the Institute of Directors (IOD) said:
“The government has kept an open ear to businesses, and continues to adapt its coronavirus response, which is very welcome. The business interruption loan scheme has started to reach firms, but small firms were still having difficulty accessing finance. This additional measure should help more of those firms get the cash they need to see them through the weeks and months ahead.”
Stephen Jones, CEO, UK Finance said:
The Bounce Back Loans Scheme will help smaller businesses and sole traders rapidly access the finance they need by filling in a simple form online with an accredited lender.
This builds upon the broad package of support that lenders are already offering to help SMEs through

these tough times, including capital repayment holidays, extended overdrafts and billions of pounds worth of lending.
Accredited lenders approved to offer Bounce Back Loans have worked at pace with the Treasury to get this scheme up and running by Monday, and staff are now focused on processing applications and getting money to businesses as quickly as possible.
Rob Hattrell, Vice President of eBay UK said:
This is extremely welcome news for small businesses up and down the country who trade online and offline, including the 300,000 who trade on eBay on a daily basis. Many of Britain's SMBs are really struggling financially in the current crisis. Hopefully, this move from government will help our very smallest businesses get the financing they need quickly to manage their cash flow or replenish their stock.
While the existing CBIL scheme may be appropriate for some businesses, our smallest businesses told us that they were finding it hard in practice to access this support from banks. By extending the current government guarantee from 80% of each loan to 100%, we hope this will make it more likely that banks will extend finance at a critical time. And by making it simpler to apply, SMBs should be able to get the help they need quickly just when they need it most.
Dr. Adam Marshall, Director General of the British Chambers of Commerce (BCC) said:
"The launch of the Bounce Back Loan Scheme is an important milestone in getting credit flowing to small firms who have so far struggled to access the financial support they need. The standardisation of the interest rate that can be charged after the first 12 months is a welcome step in helping firms manage their ongoing costs. > "We look forward to working with the government, British Business Bank and UK financial ***institutions to ensure that the new scheme supplies cash to businesses on the ground quickly."***
Rain Newton-Smith, CBI Chief Economist, said:
The Chancellor is standing shoulder-to-shoulder with small businesses to help them through the crisis. A 100% government guarantee on loans and a simple way of applying will be a lifeline to many small businesses and sole traders under pressure.
Banks have been operating at full throttle and must stay in overdrive to get more money out of the door faster. Time is of the essence.

(3) Letter to the Banks from the Treasury

Dear accredited lenders, BOUNCE BACK LOAN SCHEME Thank you for your engagement with my team over the last 6 weeks across the range of HMG loan guarantee products, as we work to safeguard businesses from the economic impacts of COVID-19. It is vital that government and industry continue to work together to manage the long-lasting effects of COVID-19 on the UK economy. I would also like to thank your teams for the enormous efforts that they continue to put into these schemes: from those who have already been working through the weekends to ensure the smooth delivery of the Coronavirus Business Interruption Loan Scheme (CBILS) and the Coronavirus Large Business Interruption Loan Scheme (CLBILS), to frontline staff who are providing a vital service to the public by managing the increased demand in recent weeks. The fact that the latest UK Finance figures show that over 25,000 SMEs have already received lending under CBILS is a testament to your hard work. In my statement to the House of Commons on Monday I announced the government's intention to launch a new scheme, the Bounce Back Loans Scheme (BBLS). I am writing to clarify the approach I am taking to a number of matters relevant to the design and operation of BBLS before its launch on Monday. Pricing As a 100% guaranteed loan scheme, the price of BBLS is critical to its success: together, we need to ensure that these loans are affordable and accessible. As such, and incorporating a range of data, I have come to the decision that the rate should be set at 2.5%. I am also pleased to note that, to support the provision of these loans, the Bank of England will be allowing participants in the Term Funding Scheme with additional incentives for SMEs to extend the term of some of the funding they access via the TFSME to align with the 6-year term of loans made through BBLS. The PRA will also shortly be announcing that banks subject to the UK Leverage Ratio will be able to exclude loans under BBLS from the leverage ratio exposure measure. As I have previously stated it is vital that all necessary action is taken to ensure that the benefits of this scheme, *and all other measures from government and the regulators, are passed through to businesses. Legislation and regulation 1. Amending the regulatory perimeter The Treasury has made a statutory instrument (SI) that amends the Regulated Activities Order (RAO) so that providing regulated small business loans of £25,000 or less to sole traders, unincorporated associations and partnerships fewer than four people under the Consumer Credit Act 1974 (CCA), will not be a regulated activity for the* purposes of BBLS. This will enable small businesses to access their loans quickly in the way that is envisaged under BBLS. The SI retains the protections for these loans around debt collection, recognising that the importance of appropriate protections for borrowers who *experience difficulties in paying back these loans. The SI has been laid and will come into force on Monday 4 May 2020. The SI can be found at: http://www.legislation.gov.uk/uksi/2020/480/made. 2. Amending the CCA The Government will introduce primary legislation at the earliest opportunity to disapply sections 140A-140C of the CCA for BBLS lending. The primary legislation will have retrospective effect, meaning that it will apply from the start of the scheme on Monday. Interaction between BBLS and the Coronavirus Business Interruption Loan Scheme (CBILS) As you are aware businesses will be able to borrow up to £50,000 under BBLS, capped at 25% of turnover. In order to ensure that businesses have a clear understanding of the support available to them under the loan guarantee schemes, the minimum facility size for term loans and overdrafts under CBILS will increase to £50,001 to avoid any risk of confusion or overlap. Any customer with a CBILS loan or overdraft of £50,000 or less will be able to switch that facility to a BBLS loan should they choose to do so over the next few months. This change to the minimum facility size will not apply to asset finance and invoice finance CBILS facilities. HM Treasury, 1 Horse Guards Road, London, SW1*

I suggest members who want to access the grant scheme should approach their local council as soon as possible as there is a limited amount of money available and I suspect there will be a strong demand for them from other businesses. Details of how to access the bounce back loan scheme are in the Government press release to which the link above takes you.

Even before these schemes, a number of members had found ways to access the grants:

Example 1: one member effectively got the grant by agreeing a retrospective rating of part of his property thereby allowing him to receive the grant;

Example 2: I am told that another claimed that part of his house qualified as he sold his wine from his house and thereby got the grant.

These may be perfectly sensible decisions for the individuals concerned but I would strongly urge caution before following these or similar routes:

In relation to example 1, once the property is rated, it will always be rated and unless small business/rural rates reliefs continue to be available in the future there may be rates bills in future which negate the value of the grant over time. However, even that may be sensible if the alternative is ceasing trading now.

In relation to the house example, the risk there is that if a part of your residence is

classified as a business, you will likely lose a proportion of the capital gains tax relief availab
on a sale of the house if it is your main residence. Again I don’t know the circumstances of th
individual so it could again be a perfectly sensible approach for him.