

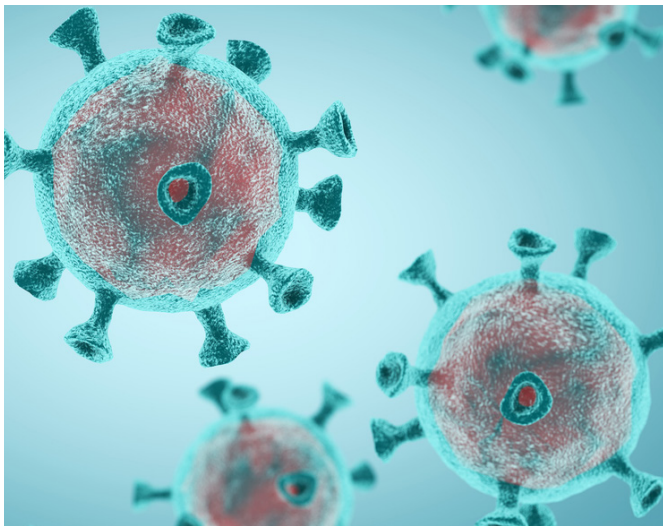
The Chancellor of the Exchequer, Rishi Sunak, has promised to do “whatever it takes” to prevent what he called the “temporary shock” of the coronavirus disease 2019 (COVID-19) pandemic becoming a “permanent shock” to the UK economy.

The Chancellor unveiled a second phase of the UK government’s fiscal response on 17 March 2020, just six days after publishing his initial, “temporary, timely and targeted”, £30 billion package as part of the [Spring Budget 2020](#). Although the Chancellor gave an assurance to “continue to monitor the situation” and extend additional support whenever it was needed, he and his entire Treasury team cannot have expected circumstances to deteriorate quite so rapidly.

Reflecting the Prime Minister’s assertion that the government is now on a war-footing, the Chancellor described the imminent economic fight as unlike any other faced by the UK during peacetime. As he outlined the government’s enhanced economic intervention, he readily admitted that it is on a scale that was unimaginable just two weeks ago. Even so, it is also inevitable that further support and stimulus will be necessary if the Chancellor is to deliver on his promise to, “give [British citizens] all the tools [they] need to get through this”.

The second package introduced some new initiatives, but also built on the original measures set out during the Budget. It covered three broad areas:

- Businesses – financial support
- Businesses – cash flow and fixed costs
- Individuals



## **Businesses – Financial Support**

### **Government-backed Lending**

The Chancellor extended “an unprecedented” level of government-backed lending to help businesses cope with their financing needs during the crisis. The government will initially make £330 billion of government guaranteed loans, at historically low interest rates, available to businesses that need support. The total package is equivalent to approximately 15% of the UK’s total gross domestic product (GDP).

The lending will be available under two schemes. Both will be operational from 23 March 2020:

- **COVID-19 Corporate Financing Facility (CCFF)**

For larger businesses, the CCFF will be established in conjunction with the Bank of England. The CCFF will provide otherwise robust businesses with market-based finance in order to meet immediate working capital demands in circumstances where they are unable to do so as a result of the uncertainties created by the pandemic. The CCFF will be operated by the Bank of England and will operate by purchasing commercial paper of up to one year.

HM Treasury will guarantee all lending extended by the Bank of England under the CCFF, which will be kept under review.

- **Coronavirus Business Interruption Loan Scheme (CBILS)**

For small and medium enterprises (SMEs), the CBILS, unveiled at the Spring Budget 2020, is being expanded significantly. CBILS is operated by the British Business Bank to provide financial support and credit to SMEs adversely impacted by COVID-19.

Originally providing loans of up to £1.2 million, CBILS will now offer loans of up to £5 million with no interest payable for the first six months (the government will cover the cost). Subject to certain caps, the government will continue to provide lenders with a fee-free guarantee of 80% on any loans or overdraft facilities extended under the new scheme.

In addition, the Chancellor promised to explore sector-specific support options to address the challenges faced by businesses facing particular problems. The Chancellor expressly referred to airlines and airports, but leisure and tourism is, presumably, another sector in need of special emergency measures.

## Businesses – Cash Flow and Fixed Costs

The primary focus of the Chancellor's announcements was to ease the pressure on business' cash flow. He placed particular emphasis on "pubs, clubs, theatres and other hospitality, leisure and retail venues".

### • Cash Grants

For businesses in these hardest hit sectors that do not have insurance policies that cover pandemics, the government has announced it will provide cash grants of up to £25,000 per business.

### • Business Rates Retail Discount (BRRD)

The temporary, one-year expansion of the BRRD to 100% (in effect exempting qualifying businesses from having to pay any business rates), announced at the Spring Budget 2020, is to be extended to all businesses in these sectors. The original expansion was only available to those businesses with a rateable value of less than £51,000.

### • Small Business Rate Relief (SBRR)

Any businesses that do not pay business rates (because they are eligible for SBRR), and so will not benefit from the expansion of the BRRD, will be entitled to a one-off cash grant of £10,000. The measure (which is not limited to the leisure and retail sector) is expected to benefit 700,000 business.

The three measures will be provided through local authorities. The cost will be fully refunded by the government.

## Individuals

At the Spring Budget 2020, the Chancellor announced a number of measures to support vulnerable individuals. Those measures included provisions relating to:

- Statutory Sick Pay (SSP)
- Universal Credit (UC) and Employment and Support Allowances (ESA)
- A new £500 million Hardship Fund

As part of this second phase of the UK government's response, the Chancellor has announced that individuals facing financial difficulties as a result of COVID-19 will be able to seek a (at least) three-month "mortgage holiday" from their mortgage lenders.

## Phase Three and Beyond

Phase two is not the end. In addition to the specific measures announced by the Chancellor, Mr. Sunak also confirmed that "the coming days" will see the next stage unveiled, including measures that "go much further to support people's financial security". In particular, the Chancellor announced plans to "urgently develop new forms of employment support".

Given that events are unfolding at a ferocious rate, it is perhaps understandable that specific measures are being rolled out in a piecemeal fashion. That said, it was perhaps surprising that this second phase of fiscal measures was still very much focused on more lending (which is perhaps of limited use to already distressed businesses) and did not contain more tax-related reliefs, deferrals and subsidies. In light of a wide range of fiscal measures being adopted around the globe, perhaps these are the areas to watch out for in phase three.

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