

March 2020

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UK Economic Response to COVID-19

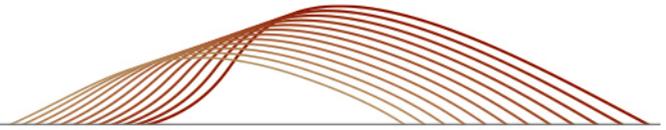
By [Matthew Poxon](#) and [Paul Oumade-Singh](#)

The UK Government has announced a £330 billion stimulus package to help the business sector survive the impact of the COVID-19 outbreak.

Against the backdrop of tumbling financial markets, and following on from the measures announced in the Budget and an emergency cut in interest rates from the Bank of England earlier this month, the UK Government has announced further support for the business community to help it withstand the economic impact of the COVID-19 pandemic.

I. Support Measures Include:

- *Statutory sick pay relief package for SMEs*
 - SMEs (those businesses with 250 employees or less as of 28 February 2020) will be able to reclaim the costs of paying statutory sick pay for up to two weeks for each employee off sick due to COVID-19.
- *Business Rate Relief*
 - The Business Rates retail discount has been increased to 100% for properties below the £51,000 rateable value and has been extended to the whole of the leisure and hospitality sector.
- *Coronavirus Business Interruption Loan Scheme*
 - The Coronavirus Business Interruption Loan Scheme announced during the Budget has been extended and the Government has pledged to guarantee up to 80% of loans up to £5 million made to businesses, with no interest due for the first six months.
- *Covid Corporate Financing Facility (“CCFF”)*
 - For larger businesses, a new commercial paper facility has been announced by the Government and the Bank of England to assist lending. Non-financial institutions that make “a material contribution” to the U.K. economy and (prior to the COVID-19 outbreak) have a short or long term rating of investment grade, will be eligible to issue commercial paper of up to one-year maturity under the scheme. The facility will be offered on terms comparable to market terms available before the COVID-19 outbreak, and has proposed to disregard temporary balance sheet and cash flow impacts caused by the virus.



- *Grants*
 - Additional funding for local authorities announced at the Budget has been increased to allow local authorities to provide grants of up to £10,000 to support small businesses that already benefit from the Small Business Rate Relief. Further grants of up to £25,000 will be provided to businesses that are unable to claim for the impact of the Coronavirus from their insurer.

II. Comment

While the size of the support package is unprecedented, questions are already being asked as to whether the measures are sufficiently extensive and go far enough, and whether increasing the debt burden of businesses is the correct response at a time when many businesses have been facing pressures on their balance sheets long before the pandemic began.

Measures such as the CCFF are currently time-limited to one year, and with commercial banks and alternative lenders currently pulling funding across a number of sectors, due to the inability of pricing in the risks of COVID-19, the Government may have to reassess the adequacy of these measures. They have however pledged to do whatever it takes to support businesses, both large and small, so the measures announced may indeed be the tip of the iceberg.

III. Action

In order to take advantage of these programmes, businesses are encouraged to primarily contact Her Majesty's Revenue and Customs' ("HMRC") new dedicated COVID-19 helpline. HMRC has announced that in order to ensure ongoing support, HMRC has made available a further 2,000 experienced call handlers to support firms and individuals with their queries, in respect of the announced measures.



If you have any questions concerning these developing issues, please do not hesitate to contact any of the following Paul Hastings London lawyers:

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