



**Forbes Dawson**  
THE TAX SPECIALISTS

# Summer Economic Update 2020

## SUMMER ECONOMIC UPDATE: A PLAN FOR JOBS

Yesterday the Chancellor announced a raft of further policies designed to get Britain's economy going again.

Despite recent relaxations in the lockdown restrictions, there remains considerable disruption to businesses as a result of the outbreak of COVID-19. This has led to growing fears of unemployment as some of the emergency measures – such as the Coronavirus Job Retention Scheme – begin to be withdrawn.

Rishi Sunak has therefore pledged up to a further £30 billion in an attempt to boost jobs and stimulate the economy over the coming months. Headlines include:

- A further 'job retention bonus' for businesses that bring back furloughed employees
- A new 'Eat Out to Help Out' scheme to encourage customers to return to restaurants, pubs and cafes
- A temporary reduction in VAT for the hospitality and tourism sectors
- An immediate Stamp Duty Land Tax 'holiday' to aid the UK property market

Further details on these measures are set out in the following pages which we hope you will find useful. We welcome enquiries on any of these or other matters.

As ever, we send all of our clients and contacts our very best wishes for a safe and healthy return to normality.

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**9 JULY 2020**

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## JOB RETENTION BONUS SCHEME

Since March the Coronavirus Job Retention Scheme has been used for over 9 million jobs. The support under this scheme is due to end on 31 October 2020, with the rate of support tapering down from 1 August 2020.

To encourage businesses to retain employees, for every employees who meets the following conditions, HMRC will pay the employer a one off £1,000 bonus from February 2021.

- The employee has been furloughed under the Coronavirus Job Retention Scheme
- The employee is continuingly employed until at least 31 January 2021
- The employee's average monthly earnings between 1 November 2020 and 31 January 2021 are over £520 per month

The bonus does not need to be paid to the employee and employer can use this to cover part of their wages over the period.

Further details will be released by HMRC by the end of this July.

## OUR VIEW

Any scheme which helps support jobs is a welcome boost.

Businesses with employees still on furlough at the end of October will now face the choice of whether to bring back affected employee back for the required three months in order to receive the £1,000 grant.

The aim here is that the grant will in many cases tip the balance in favour of retaining the employee and hopefully reduce redundancies once the furlough scheme comes to an end.

## STAMP DUTY 'HOLIDAY'

In an effort to kickstart activity in the housing market, the Chancellor has announced a temporary reduction to the rate of Stamp Duty Land Tax ('SDLT') payable when buying residential property.

Prior to this, the first £125,000 of the purchase price of a property was chargeable to SDLT at a rate of 0%. From 8 July 2020 this threshold is increased to £500,000. The reduced rates will run to 31 March 2021.

For a property worth £500,000 the reduction in rates will save £15,000 in SDLT.

There is no change in rates for amounts paid above £500,000, which are as follows:

- Between £500,000 and £925,000: 5%,
- Between £925,000 and £1.5m: 10%,
- Above £1.5m 12%.

Notably, the 3% surcharge remains in place across all rate bands for purchases of additional residential properties.

However, the increase in the 0% threshold applies unilaterally. Therefore, any transaction involving residential property worth £500,000 or more will benefit from the maximum £15,000 reduction.

## OUR VIEW

Increasing the 0% threshold from £125,000 up to £500,000 will be beneficial for the vast majority of residential property purchases, with the Government claiming that nine out of ten people will now pay "no SDLT at all" on residential property purchases.

It remains to be seen whether this will have the intended impact of increasing the number of property transactions in the coming months, or whether property prices will hike as a result.

If you have any queries in relation to SDLT, including the reliefs that can be available to purchasers, we would be more than happy to speak to you. Please get in touch with your usual Forbes Dawson contact if you would like to discuss this.

## EAT OUT TO HELP OUT

Forget talk of a Roosevelt-style 'New Deal'. Instead Rishi Sunak yesterday unveiled his 'Meal Deal', designed to boost demand in Britain's struggling hospitality sector.

Meals eaten at any participating business, Monday to Wednesday, will be 50% off, up to a maximum discount of £10 per head for everyone, including children. The Government will effectively be picking up the tab. The discount can be used unlimited times, although it excludes alcoholic drinks.

Businesses will need to register, and can do so through a simple website, open next Monday.

Each week in August, businesses can then claim the money back, with the funds in their bank account within 5 working days.

## OUR VIEW

This is a novel idea from the Chancellor, but it appears to have been welcomed by the hospitality industry.

Despite this, there will be some traditional 'wet led' venues i.e. pubs where food is not served who will undoubtedly feel disappointed that the support will not extend to these areas.

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## VAT CUT FOR HOSPITALITY AND TOURISM

From 15 July 2020 to 12 January 2021, to support businesses and jobs in the hospitality sector, the reduced (5%) rate of VAT will apply to the following supplies:

- Sales of food and non-alcoholic drinks from restaurants, pubs, bars, cafés and similar premises across the UK.
- Supplies of accommodation and admission to attractions across the UK.

Further guidance on the scope of these reliefs will be published by HMRC in the coming days.

## OUR VIEW

The temporary reduction in VAT rates will undoubtedly help businesses in the tourism and hospitality industries who will have suffered a dramatic impact upon business receipts during lockdown.

Of course, there will be criticism from other sectors that have been hard-hit by the pandemic, most notably the aviation industry, for whom no further measures have been announced.

## OTHER MEASURES THAT BUSINESSES/INDIVIDUALS SHOULD CONSIDER

In addition to the measures announced yesterday, there are other measures that businesses and individuals should consider if they have been affected by the Coronavirus outbreak. These include:

### For individuals

- Deferral of 31 July payments on account to 31 January 2021.
- Support for self-employed.

### For businesses

- Business interruption loan schemes.
- Business rates relief.
- Corporation tax:
  - Seeking to make R&D claims where applicable (which may be surrendered for cash repayments in the case of loss-making companies).
  - Early loss carry back claims for businesses which expect to make trading losses.
  - Applying (where required) for deferral/repayment of tax payments, including quarterly instalment payments.
- Looking at debt restructuring, including making bad debt relief claims.
- Considering employee share schemes as an alternative to paying cash bonuses.
- Seeking time to pay arrangements.

This list is not exhaustive.



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