

Chancellor's Summer Statement Highlights – 9th July 2020

A job retention bonus to bring back furloughed workers, a cut to VAT for the hospitality sector, and an increase in the SDLT threshold were the main headlines from the Chancellor's Summer Statement aimed at protecting jobs and getting the UK economy back on its feet.

Furlough Bonus

- This is a one-off payment to employers that have used the Coronavirus Job Retention Scheme (CJRS) for each employee who remains continuously employed until 31 January 2021.
- To be eligible, employees will need to:
 - Earn at least £520 per month on average for November-20, December-20 & January-21;
 - Have been furloughed at any point and legitimately claimed under the CJRS;
 - Have been continuously employed up until at least 31 January 2021.
- Employers will be able to claim the bonus from February 2021 once the January-21 data has been received.
- More information on this scheme will be released by 31 July 2020 and full guidance will be published in the Autumn – we will keep you posted!

VAT reduction

- From 15 July 2020 to 12 January 2021, the VAT rate will be cut from 20% to 5% on any eat-in or hot takeaway food and drinks from restaurants, cafes and pubs excluding alcohol.
- The VAT reduction also applies to all holiday accommodation in hotels, B&B's, campsites and caravan sites, as well as attractions like cinemas, theme parks and zoos.
- There are a couple of administration points to note on this:
 - VAT reporting periods run month end to month end, so by making (and also ending) the reduction effective mid-month, businesses will need to take extra care to account correctly for VAT before and after the changes. For example, relevant sales from 1 July 20 through to 14 July 20 will all be at 20%, with split VAT rates becoming effective from 15 July 20. This will affect all quarterly VAT periods ending July-20, August-20 and September-20.
 - Businesses will need to be able to split out sales between items qualifying for the new reduced VAT rate and items which will still carry the 20% rate – most notably alcoholic drinks. Till reprogramming will be needed to ensure VAT receipts are accurate and careful attention will be needed when accounting for sales at different VAT rates.

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Housing & SDLT

- From midnight on 9th July, residential Stamp Duty Land Tax (SDLT) threshold in England and Northern Ireland increases from £125k to £500k.
- The effect is that no SDLT will be payable on the purchase of a main home up to the value of £500k.
- This comes into effect until 31 March 2021.

“Eat Out to Help Out” Scheme

- During August, Monday to Wednesday, diners can get 50% off meals and non-alcoholic drinks, up to £10 per person, when eating at participating restaurants, bars, cafes and other establishments that have registered.
- Businesses will be able to register online for the scheme from Monday 13th July.
- They will be reimbursed each week in August with the funds arriving in the bank within five working days.

Kickstarter Scheme

- The scheme will pay the wages of 16-24 year olds starting new jobs that provide training and support.
- It will cover 100% of the minimum wage for a maximum of 25 hours per week, with businesses able to top up wages.
- The application process opens next month and is worth around £6,500, with the “Kickstarters” starting jobs from the Autumn.
- In addition to the Kickstarter scheme, employers are encouraged to create new apprenticeships which the Government will contribute £2,000 per apprentice and businesses will also receive a £1,500 bonus if they hire apprentices aged 25 or over.

Clarification of the Summer Statement announcements are expected over the coming days, and as always we will keep you updated as we know more.