

COVID-19: GUIDANCE FOR MEMBER CLUBS

As at the 23rd March, the Government has announced a range of measures to assist small businesses to cope with the consequences of the pandemic.

Initiatives announced to date include the following:

1. Coronavirus Job Retention Scheme;
2. Deferral of VAT and Income Tax payments;
3. Statutory Sick Pay relief for small and medium-sized businesses (SMEs);
4. 12-month business rates holiday for all retail, hospitality and leisure businesses in England;
5. Small business grant funding of £10-25,000;
6. A Business Interruption Loan Scheme to support viable businesses with cash-flow pressures;
7. HMRC Time To Pay Scheme.

More detail is provided in sections 1 to 7 below with advice on potential insurance claims set out in section 8 and some links to further government guidance in section 9.

The Government guidance issued to date is in some cases incomplete and, inevitably, the relevant Government department or agency is likely to be extremely stretched at the moment. Clarification of these areas of uncertainty may not therefore be immediately forthcoming. However, this guidance note will be updated as soon as possible after further information is announced.

1. Coronavirus Job Retention Scheme

Under the scheme, companies will be able to access support to continue paying part of the salaries of employees who might otherwise have been laid off as a consequence of the pandemic. It is understood that HMRC will administer it through a new IT software system which will take until April to operational.

The scheme has been backdated to 1 March and will operate for an initial three months, i.e. to 31 May.

Subject to clarifying a number of areas of uncertainty, clubs will need to take the following steps.

- Designate affected employees as “furloughed workers”, and notify them of this change. Any change will have to be consistent with existing employment law and employees’ contracts of employment.
- Submit information to HMRC about the employees that have been furloughed and their earnings through a new online portal yet to be created.

HMRC will reimburse 80% of furloughed workers wage costs, up to a cap of £2,500 per month.

Aspects of the scheme yet to be clarified include the following.

- Will the scheme apply to employees on fixed term contracts, for example players and coaches, where there is no provision for early termination?
- Will the scheme apply to zero hours or non-contract employees?
- Will the cap include employers’ NIC and pension contributions?

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- How will the scheme operate alongside the Time to Pay Scheme (see section 7) and will HMRC reimburse employers with gross amounts or withhold PAYE & NIC deducted from that month's payroll?

Bearing in mind that clubs will be running their March payrolls in the course of the week commencing 23 March, it is recommended that clubs should identify as many of their staff as possible as "furloughed". This will maximise the opportunity to recover March salary costs. If it subsequently transpires that certain categories of staff are ineligible nothing will have been lost.

2. Deferral of VAT and Income Tax payments

All clubs which owe VAT for the quarter ending within the period to 30 June 2020 will be able to defer payment until 31 March 2021. Clubs should nevertheless submit VAT returns as normal but are advised to cancel any existing direct debit arrangements just in case HMRC collects automatically.

For the time being, clubs which have already submitted returns to 31 January or 29 February but not yet paid should also withhold payment although, technically, this falls outside the period for which the concession has been granted.

Any VAT refunds arising for the period in question will be paid by HMRC in the usual way.

Clubs need take no further actions as this concession will apply automatically.

HMRC has also announced that payment of self assessment income tax due in July 2020 can be deferred until January 2021 but this is unlikely to be of relevance to most clubs.

3. Statutory Sick Pay

An SME is defined as a company with less than 250 employees and so is likely to include most member clubs. Proposed legislation will allow employers to reclaim Statutory Sick Pay (SSP), presently £94.25 per week, paid to staff for sickness absence due to Covid-19. The eligibility criteria will be as follows:

- this refund will cover up to 2 weeks' SSP per eligible employee who has been off work because of Covid-19;
- employers should maintain records of staff absences and payments of SSP, but employees will not need to provide a GP fit note;
- eligible period for the scheme will commence the day after the regulations on the extension of SSP to those staying at home comes into force, expected to be imminent;
- Recovery of SSP is likely to be by offset against liability for PAYE & NIC and may require modification of employer's payroll accounting, or manual amendment to returns to HMRC;
- This concession needs to be viewed in conjunction with the Time to Pay Scheme – see section 5.

HMRC has provided no further details at this stage and no link is yet available to any further information on its website.

4. Business Rates Holiday

There will be a business rates holiday for retail, hospitality and leisure businesses in England for the 2020/21 tax year. Member clubs will meet the definition for such businesses.

For clubs with a rateable value below £12,000, they are already likely to be benefiting from small business rate relief (SBRR) and so such clubs will already be paying no business rates.

It is understood that relief will be granted automatically. Clubs who have already received their 2020/21 rates demand will, in due course, receive a revised one. Relief will be available from clubs' local authorities and so any enquiries on eligibility for relief should be directed to the respective local authority.

5. Small Business Grants

A one off grant of £10,000 will be paid to businesses eligible for SBRR, namely those occupying a property with a rateable value of less than £15,000. For clubs with a rateable value below £12,000, SBRR is 100% and so such clubs will already be paying no business rates.

Alternatively, a £25,000 grant will be paid to businesses occupying properties with a rateable value between £15,000 and £51,000.

It is emphasised that eligibility is defined by rateable value and not business rates paid (in 2019/20 at a multiplier of 49.1-50.4p). Clubs' business rates demands will disclose their rateable value.

Eligible clubs will be contacted by their local authority and so do not need to apply.

Funding for the scheme will be provided to local authorities by government in early April. Guidance for local authorities on the scheme will be available shortly.

Many clubs may occupy more than one property (main ground and training ground) and it is not at this stage clear whether occupancy of two properties meeting the rateable value criteria will entitle such clubs to two grants although, logically, this should be the case.

Moreover, some clubs may occupy properties where the landlord meets the cost of business rates and it is not at this stage clear who will be eligible for the grants. If landlords, as the business rates payer, receive the grant it would seem equitable for this to be passed on to the tenant club.

Once clarification has been obtained on these points it will be passed on.

6. Coronavirus Business Interruption Loan Scheme

A new temporary Coronavirus Business Interruption Loan Scheme (CBILS), delivered by the British Business Bank (BBB), will launch shortly to support businesses to access bank lending and overdrafts. Clubs are likely to be eligible and, in the first instance, should approach their main bankers although they might also approach other potential lenders.

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The BBB [emphasises that the scheme's details](#), including eligibility, are in the process of being defined and agreed and so information is subject to change.

It is recommended that applicants should have a "sound borrowing proposal", but be unable to provide sufficient alternative security to meet a lender's normal requirements.

For clubs, a sound borrowing proposal might include demonstration that, in normal circumstances, they are financially sustainable but the consequences of Covid-19 have included a temporary loss of income resulting in cash flow pressures. Relevant factors might include the following.

- Loss of gate and hospitality income;
- Loss of event income;
- Inability to offer for sale season tickets for 2020/21 due to uncertainty;
- Inability to conclude negotiations with commercial partners for 2020/21 due to uncertainty;
- Cost of any continuing commitments to existing staff despite absence of income, including any one-off redundancy costs;
- Contractual commitments to players already recruited for 2020/21 season.

Once there is more clarity concerning the resumption of games, albeit possibly behind closed doors, it would be prudent for clubs to prepare a business plan in support of any application for funding. This should comprise a profit and loss account and cash flow, ideally contrasting the current scenario with the previous sustainable scenario to emphasise the impact of Covid-19.

The government has undertaken to provide lenders with a guarantee of 80% on each loan to give lenders confidence in continuing to provide finance to the borrowers. However, FAQs published by the BBB state that lending banks should not make a claim on the CBILS guarantee until "after completion of its normal recovery procedures (including realisation of any Personal Guarantees)" The CBILS guarantee evidently only covers 80% of the lenders post recoveries claim.

For this reason, clubs should try to resist any attempt by their lender to demand personal guarantees from owners or directors since the lender will be required to claim under these before claiming under the CBILS guarantee.

The government will not charge businesses or banks for its guarantee and will cover the first 12 months of interest payments. It is to be hoped that lenders will be realistic in the rates of interest they charge applicants for the period beyond the initial 12 months.

Club's applications should include realistic proposals to repay any loans negotiated under CBILS. It would be prudent to phase any such repayments over an extended period so as not to damage club's cash flow in future periods unduly once normal football resumes.

The FSA will be pleased to provide support and guidance in the preparation of any such business plans.

7. HMRC Time to Pay Scheme

As an extremely short term measure clubs should not pay their monthly PAYE & NIC for February 2020, due by 22 March, pending consideration of making use of this scheme.

In view of the obvious impact on clubs' operations, all clubs are likely to be eligible for this scheme. [Details are available here](#) and the dedicated helpline number is 0800 0159 559.

HMRC states that support will be provided on a case-by-case basis and it is not yet known whether HMRC will be responsive to applicants or prove obstructive. However all clubs have experienced genuine cash flow pressures as a consequence of the pandemic and so have a powerful argument.

It is likely that the helpline service will be over-stretched for the foreseeable future and so clubs might consider a written application to the address below, setting out relevant key factors including those listed in 4 above.

PT Operations North East England
HM Revenue and Customs
BX9 1BX

Although the immediate issue will be in relation to clubs' PAYE & NIC liabilities, clubs may also wish to seek deferment of VAT and, if applicable, corporation tax liabilities.

As noted in section 1, it is not yet clear how the Job Retention Scheme will operate alongside the Time to Pay Scheme and whether HMRC will reimburse employers under the Job Retention Scheme with gross amounts or withhold PAYE & NIC deducted from that month's payroll.

Moreover, as noted in section 3, although not yet formally confirmed, SSP relief is likely to be by way of offset against PAYE & NIC liabilities and so, if clubs negotiate deferral of payment of PAYE & NIC under this scheme, they will not immediately enjoy any benefit from SSP relief.

As with any application for CBILS, clubs should ensure that they negotiate realistic repayment terms for any tax deferred under this scheme so as not to damage their cash flow unduly once normal football resumes.

8. Insurance

Whether or not clubs will be able to make a claim for loss of income due to the postponement or cancellation of games will depend entirely on whether clubs' individual insurance policies include Business Interruption (BI) cover and, if so, on what terms.

Much will also depend on whether the games already postponed are eventually played, either before spectators or behind closed doors.

Assuming BI cover is held and in the event that the games are never played, clubs should ensure they take account of all potential losses and costs when quantifying their claims. Relevant factors might include the following.

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- Lost gate and hospitality income;
- Any costs incurred prior to cancellation (catering provisions, programmes, ticket stock, etc);
- Refunds due to commercial partners for loss of advertising;
- Refunds payable to season ticket holders and corporate members, whether in cash or by discount against future renewals.

Inevitably, lost income will be subjective and alternative calculations might include an average for the season to date or comparison with the equivalent prior year fixture, whichever gives the more favourable outcome.

In the event that the season resumes and the games are eventually played, clubs may nevertheless have costs associated with the original cancellations or, for example, the cost of additional stewarding or medical support at rescheduled games. They may also wish to consider whether attendances at rescheduled games have been materially affected by the pandemic, especially if some of these games are required to be played behind closed doors.

Clubs' insurance brokers are likely to be able to assist in preparing any claims under clubs' BI cover.

9. Other Government Guidance

Below are links to some key Government websites where further information can be accessed.

- [Government action plan](#)
- [Guidance on social distancing and stay at home](#)
- [Travel advice](#)
- [Guide for employees, employers and businesses](#)
- [NHS Coronavirus \(COVID-19\)](#)