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# ALLENSACCOUNTS

## **SUMMER ECONOMIC UPDATE 2020**

The Chancellor this week announced a raft of plans to stimulate the economy. The headlines include:

1. A **job retention bonus scheme** for businesses that bring back furloughed employees
2. A **temporary reduction in VAT** to 5% for businesses in the hospitality and tourism sectors
3. An **immediate Stamp Duty Land Tax holiday** to aid the UK property market
4. A new **'Eat Out to Help Out' scheme** to encourage customers to return to restaurants, pubs and cafes

### **Job Retention Bonus Scheme**

To encourage businesses to retain employees HMRC will pay employers a one off **£1,000 bonus for every employee** who meets the following conditions:

- The employee has been **furloughed at any point** under the Coronavirus Job Retention Scheme; and
- The employee is continuously employed until at least 31 January 2021; and
- The employee's average monthly earnings between 1 November 2020

and 31 January 2021 are over £520 per month (NIC lower earnings limit).

The bonus (to be paid in February 2021) does not need to be paid to the employee and the 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.

### VAT Cut to 5% for Hospitality and Tourism

From **15 July 2020 to 12 January 2021** a 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; and
- Supplies of accommodation and attractions such as hotels, B&Bs, campsites, caravan sites, cinemas, theme parks and zoos.

We have had a number of queries since the announcement asking for more detail. Unfortunately the only further information we have received since the announcement was in an HMRC e-mail yesterday that confirmed the 5% would apply:

*'on any eat-in or hot takeaway food and drinks from restaurants, cafes and pubs, **excluding alcohol**'.*

HMRC say they will publish further guidance on the scope of the reliefs 'in the coming days'.

Until then it is not clear how the VAT paid on pre-booked holidays and advanced tickets will be dealt with, although normal rules on a reduction in VAT rate suggest that the lower rate may be available. Clarity is also needed on how the VAT change will interact with the government's new Eat Out to Help Out scheme.

### Stamp Duty Holiday

HMRC have, with immediate effect, increased the SDLT 0% threshold from £125,000 to £500,000. This will apply until 31 March 2021.

This means that the purchaser of a £500,000 on Tuesday would have paid SDLT of £15,000 whereas a purchaser of the same house on Wednesday would have paid £0.

Notably, the 3% surcharge remains in place across all rate bands for purchases of additional residential properties (and if residential properties are acquired by companies).

Sellers need to be aware of these new rules as well as buyers as they may be able to use them as leverage to increase the price.

### Eat Out to Help Out

The scheme will entitle every diner to a 50% discount of up to £10 per head on their meal at any participating, eligible food service establishment from **Monday to Wednesday during August**. This includes children.

Participating establishments will be fully reimbursed for the 50% discount. Businesses can claim the money back each week, with the funds in their bank account within 5 working days.

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.

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/898421/A\\_Plan\\_for\\_Jobs\\_Web\\_.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/898421/A_Plan_for_Jobs_Web_.pdf)

The Allens Team



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