

# Covid-19 Update – Summary of Government support available to farmers



Information correct as at 15:00pm on 15.05.2020

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There are several different schemes available that provide financial support for businesses affected by the coronavirus pandemic. Not all are specific to farming, but they do offer an additional funding opportunity to our sector in these challenging times.

Below we have summarised the essential details for the following schemes:

- Bounce Back Loans
- Coronavirus Business Interruption Loan Scheme (CBILS)
- Dairy Hardship Fund
- Small Business Rate relief
- Small Business Grant fund
- Retail / Hospitality/ Leisure Grant
- Self-employed Income Support Scheme

Please note these schemes are specific to England – both Wales and Scotland have similar schemes available.

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## 1. Bounce Back Loans Scheme

### Summary

- You can borrow between £2,000 and £50,000, though the amount is capped at 25% of your total turnover (usually for calendar year 2019).
- No interest will be charged, and no repayments will need to be made in the first 12 months.
- There are no set-up fees
- After 12 months, all banks will charge a fixed 2.5% annual interest, this is far cheaper than other sources of finance.
- You can repay the loan early without penalty.
- The loans are set up to last for six years. A year interest-free and the rest at 2.5%. However, as you can repay at any time that gives you flexibility and, of course, the sooner you repay once interest is being charged, the smaller the overall cost.
- The loans are unsecured. While this sounds bad, it is actually good since it leaves security for other borrowing should it be needed
- Your business must have been established before 1 March 2020, it must also still be trading as a going concern.
- Credit ratings will not impact your eligibility so most farmers should be able to get these loans. You do not need to prove the viability of your business and the application process is relatively straightforward.
- The loan will likely go on your business credit report
- Bounce back loans DO NOT affect your eligibility for other Government personal support. You can still apply for a bounce back loan and get the self-employment income support grants and you may still be eligible for universal credit.
- Bounce back loans can be used to repay existing finance.

### **For more details:**

- See Kite Covid-19 Update – “Bounce Back” Loans (30-04-20)
- [www.gov.uk/guidance/apply-for-a-coronavirus-bounce-back-loan](http://www.gov.uk/guidance/apply-for-a-coronavirus-bounce-back-loan)
- There are 11 lenders participating in the scheme including many of the main retail banks.
- You should approach a suitable lender yourself via the lender’s website.
- The link above will take you through to the banks participating in the scheme and their individual online application forms.

### **Pros**

- Easy to apply for, a straightforward online application that should take no more than 10 minutes to complete.
- Money arrives quickly, it is normally in your account within 48 hours of applying.
- The loan is cheap finance relative to other options available.
- No interest or capital is paid in the first 12 months giving a window to recover from any business setbacks necessitating the loan in the first place
- No arrangement fees.
- Can be used to replace other more expensive forms of finance already in place (e.g. HP’s)

### **Cons**

- After the first year the loan must be repaid over 5 years. This can result in substantial monthly commitments, particularly if the full £50k is applied for. In this instance payments would be £887/month. Be sure your business can afford to repay this otherwise you are building up problems for yourself in the future.
- A few words of caution when completing the online application
  - o When completing the application farming businesses are not in receipt of ‘state aid’ as defined for the purpose of CBILS/BBLS – ‘state aid’ does not mean Basic Payment Scheme payments.
  - o Some applicants have been completing the online forms incorrectly and have therefore been rejected. Applicants only need to complete a state aid declaration where they declare themselves to be a UiD (Undertaking in Difficulty), which is clear in the question sequencing. So, in that case agricultural businesses that are not in financial difficulties prior to 31/12/2019 can ignore the State Aid Form. Agricultural Businesses have been completing this form unnecessarily and when they do, they are at times being kicked out of the process.
  - o Your bank cannot change the form, it is common across all banks.
  - o If have applied incorrectly, then you can reapply although the duplicate application may slow the case down slightly as a manual intervention will be required.
- If you need any additional guidance, then please contact either your consultant or bank manager directly.

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## **2. Coronavirus Business Interruption Loan Scheme (CBILS)**

### **Summary**

- Loan available up to £5m for clear interruption to your business for up to 6 years, government pays 12 months of interest.

- A substantial sum can be borrowed under this scheme. However, banks will go through their normal process due diligence. They will want security and proof of affordability, in most cases this will include a farmer's statement, budgets and cashflows.

**For more details:**

- See: Kite Covid-19 Update - Business Interruption Loans – CBILS (09-04-20)
- [www.gov.uk/guidance/apply-for-the-coronavirus-business-interruption-loan-scheme](http://www.gov.uk/guidance/apply-for-the-coronavirus-business-interruption-loan-scheme).
- There are over 50 lenders participating in the scheme including many of the main retail banks. You should approach a suitable lender yourself via the lender's website.
- The link above will take you through to the banks participating in the scheme and their individual online application forms.

**Pros**

- Pros – Government backed with nothing to pay for 12 months. No fees

**Cons**

- There is a need to repay capital over quite a short timescale of 5 years
- Interest rates are not necessarily attractive and need to be compared to the current rates the business is paying and what it is being offered on a commercial basis.
- The application process is quite lengthy and you need to justify the interruption in some detail

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### 3. Dairy hardship fund

**Summary**

- This is a government grant of £10,000 available to dairy farmers who have lost more than 25% of their income over April and May due to coronavirus disruptions. Eligible businesses will be able to access this funding for those qualifying months, with no cap set on the number of farmers who can receive this support or on the total funding available.

**More Information**

- See: [www.gov.uk/government/news/new-funding-to-support-dairy-farmers-through-coronavirus](http://www.gov.uk/government/news/new-funding-to-support-dairy-farmers-through-coronavirus)
- The application process for this grant has yet to be announced. However full details should appear on this link when they do.

**Pros**

- Designed to support dairy farmers most in need.
- Eligible dairy farmers will be entitled to up to £10,000 each, to cover 70% of their lost income during April and May to ensure they can continue to operate and sustain production capacity without impacting on animal welfare.

**Cons**

- None
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## 4. Small business rate relief

### Summary

- If your business involves diversification in the retail, tourism, or leisure sectors, you will be eligible for a Business Rates holiday for 1 year from 1 April 2020.
- Your local Authority should be in touch with you if you with a revised bill (100% relief) if you are eligible.
- If this has not yet happened and you think you are eligible, contact them.
- Examples would be farm shops, caravan parks, activity centres or tourist attractions closed by Covid-19 restrictions.

### More information

- [www.gov.uk/apply-for-business-rate-relief/small-business-rate-relief](http://www.gov.uk/apply-for-business-rate-relief/small-business-rate-relief)
  - If you are eligible for Small Business Rate Relief your local authority should have already been in touch. If you think you are eligible but heard nothing, then contact them directly
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## 5. Small business grant fund

### Summary

- If your business is eligible for Small Business Rate Relief (see above) you are also entitled to a one-off cash grant.
- The level of grant is dependent upon the rateable value of your business property.
- Less than £15,000 rateable value attracts a grant of £10,000

### More information

- See: <https://www.gov.uk/government/publications/coronavirus-covid-19-business-support-grant-funding-guidance-for-businesses>
- Central Government will provide funding to Local Authorities who are responsible for business rate billing. Those Local Authorities will contact eligible businesses to arrange payment of the grants.
- If you think you are eligible but heard nothing, then contact them directly
- NOTE: It is not available on:
  - o Properties occupied for personal uses, such as private stables and loose boxes, car parks and parking spaces.
  - o Businesses which as of the 11 March were in liquidation or were dissolved

### Pros

- All businesses who are eligible for SBRR above are eligible for a one-off grant of £10,000 under this fund.

### Cons

- All grant income received by a business is taxable. However only businesses which make an overall profit once grant income is included will be subject to tax.
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## 6. Retail / Hospitality / leisure grant

### Summary

- This one-off grant is for larger scale operations with business property in the rateable value range £15,000 to £51,000 and attracts a grant of £25,000

### More Information

- See: <https://www.gov.uk/government/publications/coronavirus-covid-19-business-support-grant-funding-guidance-for-businesses>
- Central Government will provide funding to Local Authorities who are responsible for business rate billing. Those Local Authorities will contact eligible businesses to arrange payment of the grants.
- If you think you are eligible but heard nothing, then contact them directly

### Pros

- Nothing specific

### Cons

- All grant income received by a business is taxable. However only businesses which make an overall profit once grant income is included will be subject to tax.
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## 7. Self-employed income support scheme

### Summary

- Applicable if you are self-employed or a member of a partnership and have been adversely affected by coronavirus (COVID-19). This is not available to Limited Companies.
- You will be eligible if your business has been adversely affected by coronavirus for a number of reasons. However, those that may be particularly relevant to dairy farmers are if
  - o you have had to scale down your operation or temporarily stop trading because:
  - o your supply chain has been interrupted
  - o you have fewer or no customers or clients
  - o your staff are unable to come in to work

### More Information

- See: *Kite Covid-19 Update – Self-Employment Income Support Scheme (07-05-20)*
- [www.gov.uk/guidance/claim-a-grant-through-the-coronavirus-covid-19-self-employment-income-support-scheme#check](https://www.gov.uk/guidance/claim-a-grant-through-the-coronavirus-covid-19-self-employment-income-support-scheme#check)
- You will need to make the claim yourself. Your tax agent or advisor cannot make it on your behalf. You can do this from the 'Make your Claim' link on the above website

### Pros

- You will get grant based on your average trading profit over the 3 tax years:
  - o 2016 to 2017
  - o 2017 to 2018
  - o 2018 to 2019

- HMRC will work out your average trading profit by adding together your total trading profits or losses for the 3 tax years, then divide by 3.
- The grant will be 80% of your average monthly trading profits, paid out in a single instalment covering 3 months, and capped at £7,500 altogether.
- The online service will tell you how they have worked your grant out.
- The grant amount will be paid directly into your bank account, in one instalment.

### **Cons**

- Not available to Limited Companies.
- There is a big demand for this scheme. There may be a delay in getting access to the application portal as a result.
- This is a grant and so taxable income. However only businesses which make an overall profit once grant income is included will be
  - o subject to tax.

Note: If you have not heard from your Authority about these grants, it may be because you have not yet applied for the Business Rates Relief package (above). In any case, visit your local authority webpage and follow Coronavirus links for regional specific information.

If you would like to explore the benefits of any of the above schemes for your business, then please contact your Kite Consultant

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For further discussion or to help with any questions that you may have, please contact Consultant Support on [consultantsupport@kiteconsulting.com](mailto:consultantsupport@kiteconsulting.com) or 01902 851007 / 07542 403225