



Coronavirus: Business Support

RESEARCH PAPER

ISSUED 06/05/2020

This paper was originally published by the Public Accounts Committee as part of its Emergency Scrutiny inquiry ([PP No. 2020/0100](#)).

Request: A briefing paper on support for businesses in the Isle of Man during the lockdown.

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BACKGROUND

TIMELINE OF KEY EVENTS AND DECISIONS

Date	Event/decision
26 Feb 2020	Government releases statement about contingency planning for TT
16 Mar 2020	State of emergency proclaimed TT 2020 cancelled
17 Mar 2020	First emergency measures for businesses announced (incl. NI holiday and grant of £3000 for certain sectors, sickpay of £20 a day for up to 14 days for employees in self-isolation) Contingency fund expenditure approved by Tynwald Coronavirus Business Support Scheme approved by Tynwald Coronavirus Sick Pay Compensation Scheme 2020 approved by Tynwald
18 Mar 2020	Dedicated team created by DfE to provide advice to businesses Treasury Minister acknowledges role of banks in supporting businesses
21 Mar 2020	Plans announced to enable food businesses to provide takeaways and deliveries
23 Mar 2020	£100m support package for businesses and workers announced by Treasury Minister, including the salary support scheme and MERA Option for businesses to defer VAT payments to end of June announced by Treasury Minister at press conference
26 Mar 2020	All non-essential shops and community spaces closed from midnight £3000 grant scheme extended to self-employed in construction and education/childcare
27 Mar 2020	Amendment to Coronavirus Business Support Scheme to include businesses with only one employee, define small retailers and self-employed, and allow for grant assistance for tourist accommodation approved by Tynwald Expenditure for MERA and Salary Support Scheme approved by Tynwald
31 Mar 2020	Strategic Capacity Scheme launched, providing financial support to businesses in sectors of strategic importance, starting with tourist accommodation Disruption Loan Guarantee Scheme launched in conjunction with local banks, offering overdraft, lending and asset financing facilities
05 Apr 2020	Farmers to receive final payment from Agricultural Development Scheme earlier Support for fishing industry announced

06 Apr 2020	Temporary work permit relaxation announced
07 Apr 2020	Amendment to Salary Support Scheme to delete condition 'conduct business lawfully' approved by Tynwald
21 Apr 2020	Amendment to Salary Support Scheme to include small local accountancy firms, legal services, and e-gaming businesses approved by Tynwald
24 Apr 2020	Restrictions on work relaxed for some sectors , including construction
28 Apr 2020	Amendment to Salary Support Scheme so that business may only have one employee approved by Tynwald
04 May 2020	Classic TT cancelled
05 May 2020	Closure of premises to continue Amendment to Enterprise Development Scheme to enable Department to purchase assets from business in return for cash during the pandemic approved by Tynwald Minister for Enterprise gives an update on measures at press conference
19 May 2020	Tynwald to be asked to support extension to salary support scheme and MERA for further three months

IMPACT ON BUSINESS AND THE ECONOMY

It has been acknowledged by the Council of Ministers that the Government's response to the coronavirus pandemic has had and will have a significant impact on the Isle of Man's economy.

The Government [has reported](#) that the decision to mandate the closure of certain business premises primarily affected around 9500 jobs in the following sectors:

- Construction, trades, horticulture (c. 4500 jobs)
- Non-essential retail (c. 2000 jobs)
- Hospitality (c. 2000 jobs)
- Tourism (c. 1000 jobs)

In March 2020, [the number of registered jobseekers](#) rose from 389 at the beginning of the month to 850 at the end of the month. By 24th April 2020, that number [had risen to over 1300](#).

IMPACT ON TOURIST INDUSTRY

The closure of borders and the cancellation of the TT has had a particular impact on the Island's tourist industry and the visitor accommodation sector. In a [press release dated 22nd April 2020](#), the Department for Enterprise acknowledged this and described the various initiatives it has developed to support the industry. The Minister commented:

We realise the impact this has had on businesses within the tourism industry and it is our role to ensure the stability of our visitor economy as well as looking after the welfare of the individuals who ensure that it operates effectively.

Our accommodation businesses are reaching crisis point, particularly around the issue of visitor deposits. We understand that many simply do not have the ability to refund deposits, even if

they wished to do so and we recognise that simply rolling over a booking for a year, particularly with reference to TT bookings, will inevitably result in delayed cash flow issues.

The Chair of the Visit Isle of Man Agency, Ranaid Caldwell, said:

The impact on tourism will be lengthy and it may take several years to restore to previous visitor levels.

Shirley Ver Elst, representing the tourist accommodations sector on the Agency, said:

The industry is grateful for the support available from the Department for Enterprise but wishes to stress that the assistance will not currently be sufficient to sustain businesses and return non-refundable deposits.

BUSINESSES ON DOUGLAS PROMENADE

Businesses based on Douglas Promenade had already been [experiencing financial difficulties](#) as a result of the project to redevelop the area being undertaken by the Department of Infrastructure. In response, the Department for Enterprise had previously developed [Support Schemes](#) for those businesses affected.

According to a [report](#) by the Environment and Infrastructure Policy Review Committee, 63% of the Island's serviced visitor accommodation is based on the Promenade (and 73% of the graded market).

CHAMBER OF COMMERCE BUSINESS IMPACT TRACKER

The Isle of Man Chamber of Commerce has been [monitoring the impact on business](#) via weekly surveys. The surveys are self-selecting, so are not statistically meaningful. Each survey had around 400 responses from a wide range of sectors and business sizes.

The [results of the first week](#) (1st-7th April) highlighted the impact on cash flow and revenue. The President of the Chamber, Caren Pegg, commented that 'the findings of our first Impact Tracker survey highlight the urgent need for that support to reach businesses on the ground as soon as possible. It is clear that many businesses, particularly small organisations, cannot wait weeks or months for help to arrive'.

The [results of the second week](#) (8th-15th April) showed that 82% of respondents expect their business to survive as long as they receive the right support for Government. Cash flow continued to be a problem, with 94% of respondents reporting a decrease in revenue. 70% of respondents reported that they had had to close their business temporarily.

The [results of the third week](#) (16th-22nd April) found that 17% of respondents were unsuccessful in meeting the criteria for any of the Government's schemes, and that 40% of those who had successfully applied for Government funding were in receipt of the money. The number of businesses planning to offer temporary leave of absence to employees had decreased by 15% from the previous week, as had the number planning to reduce their workforce.

The results of the fourth week have not been published at the time of writing.¹

¹ Published on [7th May 2020](#).

ISLAND GLOBAL RESEARCH

Market research and consultancy firm [Island Global Research](#) has also [undertaken a survey](#) on the impact on work and business in the Crown Dependencies. 54% of the 392 respondents in the Isle of Man perceived the level of threat posed by coronavirus to their jobs or businesses as high or very high.

BUSINESS SUPPORT SCHEMES

A £100m package of support for businesses and workers was announced by the Treasury Minister on 23rd March 2020. When [presenting the package of financial measures](#), the Treasury Minister said that Government support would not be enough and that employers would also have to make a contribution:

Government alone cannot win this fight. As an Island nation we have limited physical and economic resources but what we do have is speed of thought and action, flexibility and an ingrained proven determination to succeed. So that is why, in order for us to overcome the economic and fiscal challenge this virus presents; each and every one of us has a responsibility. And this responsibility means that those of you that have done well over the years, that have built success and security, that have successful profitable businesses or have built substantial wealth that will enable you to sustain short term cash flow problems, now is the time for you to stand by your Island and your staff.

An overview of the schemes for businesses available is given below; more information can be found on the Government's dedicated [coronavirus website](#).

COVID-19 SALARY SUPPORT SCHEME (TREASURY)

[This scheme](#) provides salary support for businesses of up to £280 per week for each full-time employee (pro-rated for part-time and zero-hours employees). The figure provided is equivalent to 75% of last year's living wage, based on a 35 hour week.²

The business must have had to close or have experienced a reduction in revenue of at least 25% as a result of the measures being taken during the emergency period. Each claim is for a four week period, backdated to 2nd March 2020. Applicants can only apply after the four week period has finished.

The current criteria for eligibility are that the business:

- Has at least 1 or more employees;
- Is based in the Isle of Man;
- Has met any financial obligations to employees;
- Commits to not making redundant any staff for whom they have sought assistance;
- Has been in operation continuously since at least 28th February 2020 (subject to any emergency measures);
- Continues to meet contractual obligations to employees.

The following sectors are not eligible for support:

- Finance (excluding small accountancy firms with local clients)
- Legal services (except where conveyancing and legal aid work makes up at least (30% of income)
- IT
- E-gaming (except for small businesses whose majority of income is from sports betting)
- Space and utilities

² The hourly [living wage in 2019](#) was calculated to be £9.76.

- Public administration
- Larger retailers (liable to pay income tax at 10% rate)
- Any business that receives a significant (65%+) amount of income from Government

The Treasury will publish a report to be laid before Tynwald detailing the names of the businesses and amount of financial assistance paid.

At the [press briefing held on 28th April 2020](#), the Treasury Minister said that over £7m of wage support payments were expected to be made for March 2020, and that the change in eligibility rules for single employee businesses would result in a further £5.3m of wage support being paid over the three month period.

CORONAVIRUS BUSINESS SUPPORT SCHEME (ENTERPRISE)

[This scheme](#) offers a grant payment of £3000 for eligible businesses (both self-employed and/or employing one or more employees) in the [following sectors](#):

- Tourist accommodation (registered with the Department for Enterprise);
- Catering and entertainment;
- Travel and tour operators;
- Logistics;
- Retail (non-essential) with fewer than 26 FTE employees;
- Construction (incl. horticulture, architects, quantity surveyors and painters/decorators);
- Education and childcare;
- Animal care;
- Commercial fishing

The scheme excludes large retailers (any retailer liable to pay income tax at 10% rate).

The business must have between 1 and 100 FTE employees (which can include the owner/self-employed). The hotel sector may have more than 100; in the retail sector, there must be 26 or fewer FTE employees.

The business must not have any overdue payments of more than 3 months relating to tax, NI or VAT, among other conditions.

As of [5th May 2020](#), there had been 1031 enquiries received about the scheme, 3852 applications received, 3356 applications processed, 2512 payments processed, and £7,536,000 worth of grants paid.³

STRATEGIC CAPACITY SCHEME (ENTERPRISE)

[This scheme](#) supports the tourist accommodation sector by providing a grant based on accommodation type. It is intended to ensure that providers of accommodation of 'strategic importance' to the Island's tourism sector will continue to operate during and after the end of the emergency. It also intended to enable these businesses to settle outstanding debts with other businesses in the local supply chain.

Premises must be registered with the Department for Enterprise, be rated 3* or above, and fall into the following categories:

- Hotels;
- Guest houses;
- B&Bs;

³ See Appendix 1 for information about applications to the Scheme.

- Guest accommodation;
- Serviced apartments;
- Inns;
- Farmhouses;
- Self-catering properties;
- Permanent glamping sites;
- Hostels.

Temporary and permanent campsites, temporary glamping sites, and any form of serviced or non-serviced accommodation rated below 3* are ineligible.

The funding calculation is as follows:

Number of bedrooms/units x funding per day rate x 91 days = £Amount payable

Accommodation Type	Star	Rate (per room, or glamping unit, per day)
Hotel	4* plus	£21.25
	3*	£14.17
Guest houses, Bed & Breakfast, Guest Accommodation, Serviced Apartments, Inns and Farmhouses	4* plus	£14.17
	3*	£7.08
Self-Catering, Permanent Glamping Sites and Hostels	4* plus	£5.00
	3*	£5.00
	Highly Accredited	£5.00
	Accredited	£5.00

The [rates are based](#) on the hospitality industry measure 'RevPAR' (revenue per available room), which is based on the average revenue per available room for the accommodation type between April and June 2019, according to data held by DfE.

As of [1st May 2020](#), there had been 93 applications received to the scheme, 61 applications processed, 32 applications paid, and £1,898,978 worth of grants paid. At the [press conference on 5th May 2020](#), the Minister for Enterprise said that 37 businesses have been supported so far.

The scheme is made under the [Coronavirus Business Support \(Amendment\) Scheme 2020](#), which is made under the [Financial Provisions and Currency Act 2011](#). When [Tynwald approved](#) the provisions in the Business Support Scheme at section 7 that 'the Department may, with the concurrence of the Treasury and the approval of Council of Ministers, provide grant assistance at a fixed-rate per day per room', the details of the Strategic Capacity Scheme were not available at the time.

BUSINESS ADAPTATION GRANT/FINANCIAL ASSISTANCE SCHEME (ENTERPRISE)

The Department for Enterprise has [made available £3.5m](#) to help businesses to adapt to the changing market in the pandemic. All types of businesses are eligible, as long as they meet the criteria set out in the [Enterprise Act 2008 \(Eligible Businesses\) Regulations 2018](#).⁴

⁴ [Tynwald Court \(18 Jul 2018\)](#).

The [Financial Assistance Scheme](#) is made under the [Enterprise Act 2008](#), which gives the Department the authority to provide financial assistance.

At the [press conference on 5th May 2020](#), the Minister for Enterprise announced that over £60,000 worth of support had been 'processed' through the Adaptation Scheme.

STRATEGIC INVESTMENT FUND (ENTERPRISE)

On 5th May 2020, Tynwald approved an [an amendment to the Enterprise Development Scheme](#) to enable the Department for Enterprise to purchase the legal title to assets from businesses in return for cash during the pandemic.

[Details](#) are not available at the time of writing.

OTHER MEASURES

Several other initiatives have been announced and implemented, including:

- The [Disruption Loan Guarantee Agreement](#), in which the Government will underwrite up to £48 million of new lending through the Isle of Man's commercial banks. Loans of £5000 to £500000 will be available for local businesses with a turnover of up to £10m. At [the press conference on 5th May 2020](#), it was announced that over £1.2 million has been approved for 23 businesses.
- [Temporary work permit relaxations](#) for those in employment from 28 February.
- [National Insurance holidays](#) for employer contributions in relevant sectors in March 2020.
- Support measures and services have been arranged with [major utility companies](#) in the Island.
- In line with UK measures, the [option to defer VAT liabilities](#) for one quarter. At the [press conference on 28th April 2020](#), it was announced that £11.8m of VAT income had been deferred.
- ['Refocusing' of the Government's capital projects programme](#) to generate cash flow and investment;
- Measures to prevent eviction by a landlord during the emergency period.
- [Sick Pay Compensation Scheme](#) of £20 per day per employee for up to 14 days to assist employers with the costs of self-isolation by employees.

ISSUES

BUSINESS RATES RELIEF

There has been no decision to offer rates relief or rebates for businesses affected by the measures. Douglas Borough Council in particular [has been criticised](#) for not offering relief for businesses in the capital. Leader of the Council David Christian [commented](#):

Let me make it clear: it is not in the council's gift to grant such a relaxation; it's a matter for government and I have written to the Chief Minister Howard Quayle MHK to this effect.

A rates rebate scheme would normally have to be enabled by regulations made by the Treasury under [Section 63A of the Rating and Valuation Act 1953](#), and the cost of such of a scheme to the local authority would have to be reimbursed by the Treasury. To date, no scheme has ever been made under these provisions.

According to a [Manx Radio report published on 27th March 2020](#), the Treasury Minister did not respond to questions from journalists about waiving business rates. There have been no questions asked about this issue in Tynwald since the beginning of the emergency.

CRITERIA FOR SUPPORT SCHEMES

There have been several reports of businesses which have not been able to meet the various criteria for the schemes, particularly the self-employed:

- [A self-employed motorcycle instructor](#);
- [A B&B owner](#);
- [A 'man and a van' business](#).

There have been calls to [move beyond a sector-based approach](#).

COMPARISON WITH THE UNITED KINGDOM

SUPPORT OFFERED

The UK Government has [announced plans](#) for a £330+ billion package of support for businesses, equivalent to 15% of UK GDP. Detailed information about the UK measures can be found in the House of Commons Library [Briefing Paper on support for businesses](#).

Key differences to the Isle of Man Government's support (apart from the scale) are:

- 80% of the cost of furloughed workers' and self-employed wages are paid, with a cap of £2,500 per month, for at least 3 months;
- Business rates relief for all businesses in the retail, hospitality or leisure sector (in addition to [various rates reliefs already offered](#));
- Large grants (£10,000-25,000) for certain types of business.

Measure	UK	Isle of Man
Payment of furloughed workers' wages	Up to £2500 a month per employee All UK businesses are eligible	Up to £1120 a month per employee Businesses must meet various criteria
Payment of self-employed wages	Up to £2500 a month	£200 a week or £800 a month (for those who have been earning at least that amount on average)
Grants for businesses	£25,000 for small businesses in retail, hospitality, or leisure £10,000 for businesses in receipt of certain rates relief	£3000 per business (incl. self-employed)
Bank loans	Loans of up to £5m, Govt to cover costs of interest for first six months	Loans of up to £500,000, 80% underwritten by Govt

FURTHER READING

INTERNATIONAL MEASURES

- Oxford Coronavirus Government Response Tracker (OxCGRT):
<https://www.bsg.ox.ac.uk/research/research-projects/coronavirus-government-response-tracker>
- International Monetary Fund: Policy Responses to COVID-19:
<https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>

NEWS REPORTS

- Manx Radio (6 May 2020): Treasury Minister addresses those who have 'fallen through the cracks': <https://www.manxradio.com/news/isle-of-man-news/treasury-minister-addresses-those-who-have-fallen-through-the-cracks/>
- Manx Radio (5 May 2020): Sure sees 33% rise in broadband usage since lockdown: <https://www.manxradio.com/news/isle-of-man-business/sure-sees-33-rise-in-broadband-usage-since-lockdown/>
- Manx Radio (5 May 2020): Businessman says grants aren't enough: <https://www.manxradio.com/news/isle-of-man-news/businessman-says-grants-arent-enough/>
- Isle of Man Newspapers (25 Apr 2020): The plight of the tourism industry during the lockdown: <http://www.iomtoday.co.im/article.cfm?id=55284&headline=The%20plight%20of%20the%20tourism%20industry%20during%20the%20lockdown§ionIs=News&searchyear=2020&cat=Business>
- Manx Radio (20 Apr 2020): Businesses 'won't be the same' after coronavirus: <https://www.manxradio.com/news/isle-of-man-business/businesses-wont-be-the-same-after-coronavirus/>
- BBC News (9 Apr 2020): Coronavirus: Outbreak takes 'heavy toll' on Manx firms: <https://www.bbc.co.uk/news/world-europe-isle-of-man-52222658>

CONTACT

Author: Francisca Gale

The research team in the Chamber and Information Service can be contacted by emailing research@tynwald.org.im.

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