



Coronavirus: Financial Support

RESEARCH PAPER

ISSUED 13/05/2020

This paper was originally published by the Public Accounts Committee as part of its Emergency Scrutiny inquiry ([PP No. 2020/0107](#)).

Request: A background briefing paper on financial support for workers and households and areas for which the Treasury holds responsibility.

CONTENTS

Background	3
Timeline of key events and decisions	3
Impact on the economy	4
Impact on business.....	4
Impact on the Benefits system	5
Consumer Prices Index (April 2020).....	5
Support for workers	5
Manx Earnings Replacement Allowance (MERA)	5
Non-Isle of Man Workers	6
Incapacity Benefit/Sick Pay	6
Changes to Income Support.....	6
Changes to Employed Person’s Allowance	6
Personal income tax.....	6
Support for business	7
COVID-19 Salary Support Scheme.....	7
Business rates.....	8
Disruption Loan Guarantee Agreement	8
Support for the cost of living	8
Protection from eviction	8
Mortgage support	8

Utilities	8
Domestic Rates	8
Other Issues	9
Senior Race Day Bank Holiday	9
Comparison with the UK.....	9
Further Reading	10
Reports	10
International measures	10
News reports	10

BACKGROUND

This paper focuses on financial support for workers and households and areas for which the Treasury holds responsibility. Information on business support can be found in Annex 1 of the Public Account Committee's Second Report for the Session 2019-20: Business Support ([PP 2020/0100](#)).

TIMELINE OF KEY EVENTS AND DECISIONS

Date	Event/decision
04 Mar 2020	Treasury Minister talks on Manx Radio about economic preparations for the coronavirus pandemic
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) Transfer of £40,000,000 to contingency fund and coronavirus-related expenditure approved by Tynwald Coronavirus Sick Pay Compensation Scheme 2020 approved by Tynwald Changes to criteria for incapacity benefit, income support and Jobseekers' Allowance approved by Tynwald
18 Mar 2020	Treasury Minister acknowledges role of banks in supporting businesses
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
30 Mar 2020	Treasury Minister provides update , including information about rates and mortgage holidays
31 Mar 2020	Disruption Loan Guarantee Scheme launched in conjunction with local banks, offering overdraft, lending and asset financing facilities
06 Apr 2020	Temporary work permit relaxation announced MERA opens for claims

07 Apr 2020	Amendment to Salary Support Scheme to delete condition 'conduct business lawfully' approved by Tynwald Amendments to MERA to clarify that nobody who was unemployed before 2 nd March 2020 is able to claim MERA, and that Class 2 NI contributions by self-employed workers must have been paid before 2 nd March 2020, 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 Treasury Minister provides an update at press conference
04 May 2020	Classic TT cancelled
05 May 2020	Closure of premises to continue
07 May 2020	Order to cancel Senior Race Day Bank Holiday published on Order Paper
08 May 2020	Plans for a replacement Bank Holiday announced
12 May 2020	MERA amended by Tynwald to enable a person to qualify for 2 additional weeks after return to work, to set a payment of £28.57 a day for part-week claims, and to include those who are or were on maternity or adoption leave at the time of the claim.
19 May 2020	Tynwald to be asked to support extension to salary support scheme and MERA for further three months

IMPACT ON 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.

A £100m package of support for businesses and workers was announced by the Treasury Minister on [23rd March 2020](#).

The cost to Government of the epidemic has been estimated to be at least £100m a month.¹ Speaking at a [briefing on 17th April 2020](#), the Treasury Minister said that the true impact of the pandemic on government finances will not be clear until June or July.

IMPACT ON BUSINESS

See Annex 1 of the Public Account Committee's Second Report for the Session 2019-20: Business Support ([PP 2020/0100](#)).

¹ Estimate by Mr Baker - [Tynwald Court \(14 Apr 2020\)](#), 1714.

IMPACT ON THE BENEFITS SYSTEM

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, as reported in the Medium-Term Response strategy (GD 2020/0013), that number [had risen to over 1300](#).

At the press conference on 28th April 2020, the Treasury Minister said:

1400 people are now claiming Jobseeker's Allowance. This is an increase of approximately 250% since mid-February this year, and we continue to receive between 20 and 30 claims a day. Whilst it has taken some time for the team to get through this huge influx in claims I am pleased to note that claims are now being processed in approximately 5 working days.

At the sitting of Tynwald on 12th May 2020, the Chief Minister said that 3700 people had claimed income support and incapacity benefit ([Urgent Question 1](#)). For information on the data as of 14th May 2020, see appendix 6.

CONSUMER PRICES INDEX (APRIL 2020)

[Inflation as measured by CPI](#) was down from 1.8% in March 2020 to 0.8% in April 2020.

The three main factors behind the decrease were clothing and footwear, transport and housing, and utilities. Part of the reason for the decrease in transport costs are the lockdown measures, making current prices invalid for the purpose of calculating inflation.

SUPPORT FOR WORKERS

MANX EARNINGS REPLACEMENT ALLOWANCE (MERA)

[MERA](#) provides an income of £200 a week for people who have been temporarily or permanently laid off work, or lost their self-employed work, as a result of the Government's response to the coronavirus pandemic. The allowance has been backdated to 2nd March 2020 and is currently available until 28th June 2020. Tynwald will be asked to support a three-month extension to the allowance on 19th May 2020.

The criteria for eligibility are that the worker:

- Must be aged 18 or over;
- Must not be working at the time of the claim, but be available for and capable of returning to work;
- Must have been earning at least £200 per week, on average, in at least 13 of the 26 weeks prior to the date of their claim;
- If self-employed, must have been registered as self-employed before 2 March 2020 and have paid Class 2 NI contributions in at least 13 of the 26 weeks prior to the date of their claim.
- If self-employed, must not be in receipt of the Business Support grant.

A worker does not receive MERA for any week in which they have earnings of more than £50 or if they receive any remuneration from their employer.

The allowance is paid fortnightly in arrears by transfer to a bank account.

On 12th May 2020, Tynwald approved amendments to MERA to enable a person to qualify for 2 additional weeks after return to work, to set a payment of £28.57 a day for part-week claims, and to include those who are or were on maternity or adoption leave at the time of the claim.

At the [press conference on 28th April 2020](#), the Treasury Minister announced that MERA had been awarded to 1667 individuals, and that the expected cost over the first 12 weeks of the scheme would be £4m.

At the sitting of Tynwald on 12th May 2020, the Chief Minister noted that 1900 individuals were in receipt of MERA ([Urgent Question 1](#)). For information on the data as of 14th May 2020, see appendix 6.

NON-ISLE OF MAN WORKERS

Anyone who is not classed as an [Isle of Man worker](#) requires a work permit to take up employment in the Island. Normally, a work permit holder would not be entitled to benefits such as Jobseekers' Allowance.

[Measures have been taken](#) to relax the work permit system during the emergency period for those in employed from 28th February until 16th April. All existing work permits have been automatically extended by 6 months, and those in employment exempt from work permit requirements may change their jobs without requiring a work permit.

Residency requirements for certain benefits, including MERA and income support, have also been [temporarily removed](#). This will remain in place for a 26-week period beginning on 9th April 2020.

INCAPACITY BENEFIT/SICK PAY

Usually, individuals may self-certify as sick for up to 7 days. During the emergency period, this may be for [up to 14 days](#).

At the sitting of Tynwald on 12th May 2020, the Chief Minister said that 3700 people had claimed income support and incapacity benefit ([Urgent Question 1](#)).

CHANGES TO INCOME SUPPORT

Changes to the criteria for [income support](#) for lone parents were due to take effect from 2nd April 2020; they have been [postponed until 8th October 2020](#). The residential requirement for income support has also been waived during the emergency period.

At the sitting of Tynwald on 12th May 2020, the Chief Minister said that 3700 people had claimed income support and incapacity benefit ([Urgent Question 1](#)).

CHANGES TO EMPLOYED PERSON'S ALLOWANCE

[This allowance](#) is available to parents and people with disabilities who work but have a low to moderate income. Plans to introduce new minimum work requirements for parents were due to have effect from 2nd June 2020, but have now been [postponed until 20th April 2021](#).

PERSONAL INCOME TAX

The deadline for the submission of personal income tax [has been extended](#) from 6th October 2020 to 6th November 2020. This is because there was a delay in issuing paper tax returns for the year ended 5th April 2020.

At the [press conference on 28th April 2020](#), the Treasury Minister announced that £2.4m of income tax revenue had been deferred.

SUPPORT FOR BUSINESS

This section focuses on areas for which the Treasury has responsibility. For more information about available support for business, see Annex 1 of the Public Account Committee's Second Report for the Session 2019-20: Business Support ([PP 2020/0100](#)).

COVID-19 SALARY SUPPORT SCHEME

[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
- 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.

At the sitting of Tynwald on 12th May 2020, the Chief Minister noted that 9000 individuals were being supported through salary support schemes ([Urgent Question 1](#)). Data on applications as of 14th May 2020 can be found in appendix 5.

Tynwald will be asked to support a three-month extension to the scheme on 19th May 2020.

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

BUSINESS RATES

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.

DISRUPTION LOAN GUARANTEE AGREEMENT

Through the [Disruption Loan Guarantee Agreement](#) 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.

SUPPORT FOR THE COST OF LIVING

PROTECTION FROM EVICTION

On [27th March 2020](#), Tynwald approved measures to prevent the eviction of tenants, both commercial and domestic, for a period of 90 days. The measures only cover circumstances in which a tenant does not pay their rent in full or at all. At the end of the period, the landlord must make reasonable arrangements with the tenants for the payment of arrears.

MORTGAGE SUPPORT

Local banks [Isle of Man Bank](#), [Santander](#), [HSBC](#), [Barclays](#), [Lloyds](#), Nedbank, and [Cayman National](#) have agreed to provide [residential mortgage repayment holidays](#) to existing customers for up three months.

UTILITIES

Manx Utilities, Manx Gas, Manx Telecom and Sure [have all agreed](#) to provide support measures and services for customers affected by the emergency measures.

DOMESTIC RATES

There has been no decision to offer rates relief for householders.

On [30th March 2020](#), it was announced that the Treasury would write to all householders to outline how those facing financial difficulties would be able to defer payment of their rates.

OTHER ISSUES

SENIOR RACE DAY BANK HOLIDAY

The decision to cancel or postpone the Senior Race Day Bank Holiday has been presented as an economic one. In a news release [dated 8th May 2020](#), the Treasury Minister commented:

There has been considerable economic and employment disruption that has already taken place across many industries and given that the primary purpose of the Bank Holiday - TT racing - is no longer relevant, it is considered appropriate to remove any confusion and cancel this event.

Speaking in Tynwald on 12th May 2020, the Chief Minister commented that postponing the bank holiday until the 28th August 2020, when many of the current restrictions may have been lifted, could have economic benefits ([Urgent Question 1](#)):

A properly organised, long four-day weekend could provide a significant boost to the domestic economy in this respect.

COMPARISON WITH THE UK

The UK Government has announced a series of measures to support households and workers, including:

- The Coronavirus Job Retention Scheme for furloughed workers (up to £2500 a month);
- Changes to statutory sick pay so that it is available from the first day of absence;
- Measures to speed up access to existing benefits;
- An increase in Universal Credit and Working Tax Credit rates;
- The creation of a £500 million hardship fund for local authorities to provide Council Tax relief;
- Mortgage payment holidays;
- Supportive measures for utilities customers;
- Refunds for certain travel costs;
- Food aid for households considered to be at greatest clinical risk from coronavirus;
- £750m package of support for charities.

More detailed information can be found in the House of Commons Library Briefing Paper on [support for household finances](#).

Measure	UK	Isle of Man
Payment of furloughed workers' wages	Up to £2500 a month per employee	Up to £1120 a month per employee (Salary Support Scheme)
Payment for those who have been laid off	Measures to speed up access to existing benefits Increase in Universal Credit and Working Tax Credit rates	£200 a week or £800 a month (for those who have been earning at least that amount on average) (MERA) Jobseekers' Allowance
Payment of self-employed wages	Up to £2500 a month	Up to £1120 a month (Salary Support Scheme) or £800 (MERA) depending on circumstances

Sick pay	£94.25 per week statutory sick pay Paid from day 1 for sickness caused by COVID-19	Incapacity benefit – amount depends on individual circumstances Medical evidence not required for first 14 days of sickness
----------	---	--

FURTHER READING

REPORTS

Public Account Committee's Second Report for the Session 2019-20: Business Support ([PP 2020/0100](#))

Stay Safe – Isle of Man Government medium-term response to COVID-19 ([GD 2020/0013](#))

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 (13 May 2020): Bank holiday cancellation has contract implications says union:

<https://www.manxradio.com/news/isle-of-man-news/bank-holiday-cancellation-has-contract-implications-says-union/>

Isle of Man Newspapers (11 May 2020): Young people will be hit harder economically by lockdown:

<http://www.iomtoday.co.im/article.cfm?id=55555&headline=Young%20people%20will%20be%20hit%20harder%20economically%20by%20lockdown§ionIs=NEWS&searchyear=2020>

Isle of Man Newspapers (22 Apr 2020): Thousands ask for government help as health crisis becomes an economic nightmare:

<http://www.iomtoday.co.im/article.cfm?id=55300&headline=Thousands%20ask%20for%20government%20help%20as%20health%20crisis%20becomes%20an%20economic%20nightmare§ionIs=NEWS&searchyear=2020>

Manx Radio (20 Apr 2020): Manx economy 'struggling' before coronavirus:

<https://www.manxradio.com/news/isle-of-man-news/manx-economy-struggling-before-coronavirus/>

Manx Radio (18 Apr 2020): Areas of Island's economy to emerge 'in good health':

<https://www.manxradio.com/news/isle-of-man-news/areas-of-islands-economy-to-emerge-in-good-health/>

Isle of Man Newspapers (10 Apr 2020): Sharp rise in jobless less as pandemic hits economy:

<http://www.iomtoday.co.im/article.cfm?id=55007&headline=Sharp%20rise%20in%20jobless%20level%20as%20pandemic%20hits%20economy§ionIs=NEWS&searchyear=2020>

Isle of Man Newspapers (3 Apr 2020): We can't pay rates on closed shops:

<http://www.iomtoday.co.im/article.cfm?id=54901&headline=We%20can%27t%20pay%20rates%20on%20closed%20shops§ionIs=NEWS&searchyear=2020>

Manx Radio (5 Mar 2020): Island economy ready to cope with coronavirus:

<https://www.manxradio.com/news/isle-of-man-news/island-economy-ready-to-cope-with-coronavirus/>

BBC News (5 Jun 2012): Do bank holidays cost the economy?:

<https://www.bbc.co.uk/news/magazine-18277486>

CONTACT

Author: Francisca Gale

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

Disclaimer: All research information is provided to Members of Tynwald in support of their parliamentary duties. Tynwald or the author(s) shall not be liable for any errors or omissions, or for any loss or damage of any kind arising from its use, and may remove, vary or amend any information at any time without prior notice. Tynwald accepts no responsibility for any references or links to, or the content of, information maintained by third parties.