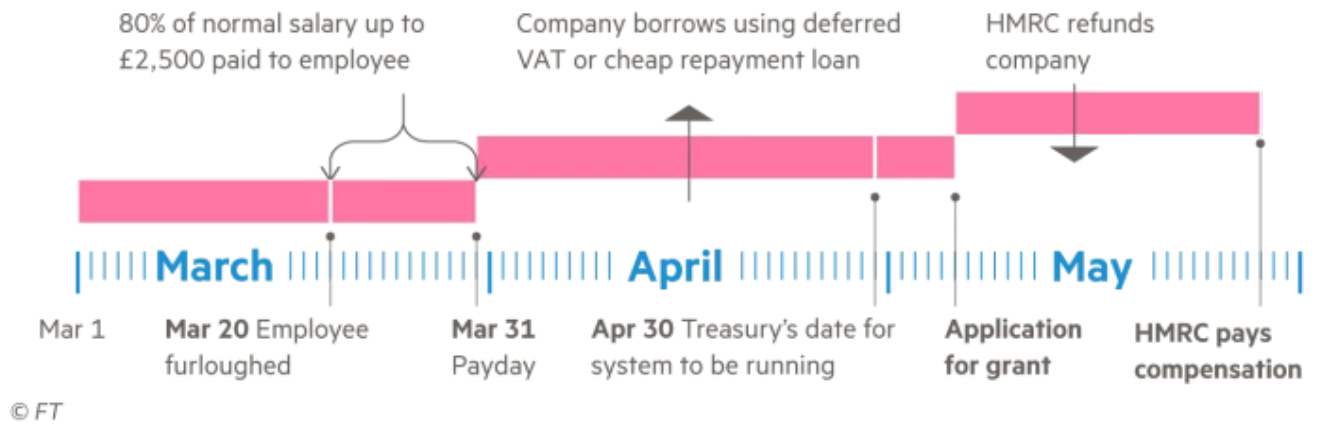


Wage subsidy explained



How can companies without cash flow pay their workers' wages?

Officials expect companies to borrow in the short term to fund the wage package until the job retention scheme is running and companies can claim for the wages paid.

The main source of funds for this will be the deferral of value added tax payments for the quarter until June 2020 which do not have to be paid until March 2021.

Again, information on this on the government support website is sparse, but officials told the Financial Times that there would be no interest payable on these VAT deferrals. There will also be no late payment charges, so the £30bn tax deferral should be seen, officials said, as providing the funds to pay employees.

If tax deferrals and other measures announced by the chancellor such as business rate relief in some sectors are inadequate, the Treasury wants companies to borrow in the short term. Officials said that to do this they should look at the business interruption loans it launched on Monday for smaller companies, or the Bank of England's commercial paper facility, which is suitable for the largest investment-grade companies.

There are some big gaps, however. Larger companies without a credit rating [fall between](#) the two lending schemes. Smaller companies with direct debits to pay VAT to HMRC will also need to cancel these immediately otherwise the money will be deducted automatically. The Treasury said it could not cancel them unilaterally.