

# LANGRICKS

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## UK practical business advice: COVID-19

Updated 25<sup>th</sup> March 2020

### Concerns not being addressed by the government

- We have a mechanism for reporting any questions or concerns that you may have to the Institute of Chartered Accountants England & Wales (ICAEW). The ICAEW is working closely with the government addressing these comments where appropriate. Should you have any such questions / queries, please do not hesitate to e-mail Chris directly: [chris@langricks.com](mailto:chris@langricks.com) and if we feel that we cannot assist ourselves, we will direct these to the ICAEW.

### Coronavirus Job Retention Scheme – Furloughed employees

- Under the new Coronavirus Job Retention scheme, government grants will cover 80% of the salary of PAYE employees who would otherwise have been laid off during this crisis. The scheme, open to any employer in the country, will cover the cost of wages backdated to 1 March 2020 and will be open before the end of April. It will continue for at least three months and may be extended if necessary, and can include workers who were in employment on 29 February 2020.
- To claim under the scheme employers will need to:
  - designate affected employees as ‘furloughed workers’, and notify employees of this change. Changing the status of employees remains subject to existing employment law and, depending on the employment contract, may be subject to negotiation; and
  - submit information to HMRC about the employees that have been furloughed and their earnings through a new online portal. While HMRC is working urgently to set up a system for reimbursement, we understand existing

systems are not set up to facilitate payments to employers. Businesses that need short-term cash flow support, may benefit from the VAT deferral announced below and may also be eligible to apply for a Coronavirus Business Interruption Loan. As soon as we know how to access this and what you need to do, we will issue a further update.

- HMRC will reimburse 80% of furloughed workers wage costs for all employment costs, up to a cap of £2,500 per month. There is no obligation for the employer to top up the remaining 20%.
- Maximum grant will be calculated per employee and is the lower of:
  - 80% of 'wages'. The notes published so far, use the phrase 'wage for all employment costs up to a cap of £2,500 per month'. It is our understanding that this includes employers' NIC and pension contributions. Wages will be determined by reference to a defined period (yet to be announced).
  - £2,500 per month.
- All UK businesses are eligible
- The employer will pay the employee through payroll, using the Real Time Information (RTI) system as usual, as required by the employment contract. This contract may be renegotiated but that is a matter for employment law. So RTI system reporting of payroll will continue as normal.

## **Coronavirus Job Retention Scheme – Q&A**

### **Which businesses are eligible?**

1. Eligible businesses include charities and not-for-profit organisations and will include single director companies, although the same rules will apply as to other businesses. The grant applies to all UK based businesses.

### **Owner/managed companies**

2. Many owner managed company director/shareholders pay small salaries and the balance of income as dividends. The scheme does not extend to dividends. Only the salary is relevant to the scheme.

## **How is payment going to work in practice?**

3. We understand that the employer will pay the contractually agreed amounts as required by the employment contract in the usual way. This will involve paying the employee, and HMRC the PAYE and both primary and secondary National Insurance Contributions. The grant will be paid directly to the employer. We do not know how this will operate for employers which use a payroll agency.
4. Employers will claim the grant through a new separate portal to be built by HMRC.

## **What is the £2,500 maximum grant based on?**

5. The £2,500 monthly grant covers all employment costs, i.e. salary, employer pension contributions required by auto enrolment (if applicable), and employer NIC.
6. The earnings period to be used to determine the maximum grant has yet to be clarified. For new employees in particular, options will be needed and also for seasonal staff. However, clearly there will need to be a base line and options being considered are likely to include:
  - Average for a prior period such as 12 months to 1 March or perhaps the month of February alone for a new employee.
  - For seasonal workers, it might be possible to use the same period last year, such as three months March, April, May 2019.
  - For those working irregular hours or say, on reduced pay (e.g. maternity or sick leave) a different previous period may be needed.

## **Will entitlement to other employment benefits continue during the period of furlough?**

7. The rules for the grant will not displace the existing employment contract. So for example, we would expect the entitlement to holiday and sick pay would depend on the contract.

## **Employees eligible**

8. Eligible employees are those on the payroll on 1 March 2020. It has yet to be clarified whether or not those re-employed under a new contract will qualify, although the policy intent would seem to support this would be reasonable.
9. We have had many questions asking if workers can be moved in and out of being furloughed if work becomes available to an employer and then ceases again? This has yet to be clarified, but we consider it very likely that they will. The scheme is being designed to allow for flexibility so that furloughed staff can be brought back to work to replace those still working who later become sick. We anticipate that this will be seen as difficult to regulate and anticipate that a minimum period of furlough leave may be built in as a requirement before the person can return to work. So we anticipate that the rules will specifically make provision for:
  - Sickness cover where a continuing employee is now off sick and a furloughed worker can provide cover.
  - Where employees agree to share shifts to enable more of them to continue to be paid.

This will again depend on the employment contracts of those affected.

10. The matter of which employees an employer decides to furlough will be a matter for negotiation with staff and employment law.
11. The impact on job sharing employees and the decision to furlough will be a matter for negotiation with staff and employment law.
12. We presume that, subject to anything different stated in the employment contract, eligible employees would also include apprentices and agency workers.
13. We do not yet know whether the scheme will include deemed employees under the off payroll working rules.
14. An employee does not have to accept furlough if offered, but the employer could then make the employee redundant instead using the usual employment law procedure.
15. We understand that staff can study while they are being furloughed.
16. It is a condition of the scheme that the employee must do no work at all during the furlough period. The intention of the scheme is to allow employers to pay staff who are without work. HMRC will of course have visibility of pay records.

## Employees with more than one employment

17. While we understand that an employee who is furloughed can do no work at all, our current understanding is that the employee can hold a separate employment with a different and unconnected employer which will be unaffected.

## VAT payments

- The next quarter of VAT payments will be deferred, meaning businesses will not need to make VAT payments until the end of June 2020. Businesses will then have until the end of the 2020-21 tax year to settle any liabilities that have accumulated during the deferral period.
- The deferral applies automatically and businesses do not need to apply for it. VAT refunds and reclaims will be paid by the government as normal.
- **IMPORTANT** - the government has announced that **businesses will need to cancel their direct debits if they wish to defer payments**, and will need to contact their banks to do this before the date the direct debit is due to be taken.

## Income Tax payments

- Income Tax Self-Assessment payments due on the 31 July 2020 will be deferred until the 31 January 2021. This is an automatic offer with no applications required. No penalties or interest for late payment will be charged in the deferral period.

## Universal credit

- Self-employed people can now access full universal credit at a rate equivalent to statutory sick pay.

## HMRC Time to Pay

- HMRC's Time to Pay scheme can enable firms and individuals in temporary financial distress as a result of Covid-19 to delay payment of outstanding tax liabilities. HMRC's dedicated Covid-19 helpline provides practical help and advice on 0800 0159 559. Should you need any assistance with negotiating with HMRC or assistance with understanding your cash flow, please do not hesitate to contact us.
- What do I need to do?

- If you have missed or might miss your next tax payment, call HMRC on the above number
- If you are calling regarding PAYE, you will need your PAYE reference number, accounts office number and business address
- If you are calling regarding VAT, you will need your VAT registration number and address
- If you are calling regarding your corporation tax, you will need the companies Unique Tax Reference number (UTR) that can be found on your last corporation tax return, through your government gateway account or any correspondence from HMRC relating to Corporation tax. You will also need your registered office address which can be found on Companies House
- If you are calling regarding personal tax, you will need your individual UTR number, which can be found on your last personal tax return or government gateway login
- If you need help with any of the above, go not hesitate to contact us.

## **Business Rates holidays and cash grants**

- No rates payable for the 2020-2021 tax year for any business in the retail, hospitality or leisure sectors.
- You are eligible for the business rates holiday if your business is based in England and your business is in the retail, hospitality and/or leisure sector.
- Properties that will benefit are shops, restaurants, cafes, drinking establishments, cinema and music venues. Hotels, guest & boarding premises, self-catering accommodation, and those buildings for assembly and leisure will also benefit
- What do I need to do:
  - There is no action necessary
  - This will apply to your council tax bill that you receive in April
  - If you have already received this and are eligible you will receive an updated bill

- To estimate the rates you will no longer have to pay this year, please check HMRCs business rates calculator - <https://www.gov.uk/correct-your-business-rates>

## **Small business grant funding of £10,000 for all business in receipt of small business rate relief (SBRR) or rural rate relief (RRR)**

- If you currently pay little or no business rates as you qualify for Small Business Rates Relief (SBRR) or Rural Rate Relief, you will be eligible for a £10,000 grant to help meet ongoing business costs
- What do I need to do:
  - If you are eligible for SBRR or Rural Rate Relief, you will be contacted and don't need to apply
  - Funding will be provided to local authorities in early April

## **Grant funding of £25,000 for retail, hospitality and leisure businesses with property with a rateable value between £15,000 and £51,000**

- A £25,000 grant will be provided to retail, hospitality and leisure businesses operating from smaller premises with a rateable value between £15,000 and £51,000.
- What do I need to do:
  - Any enquires on eligibility for or provision of the relief/grant should be direct to your local authority
  - Further guidance will be issued to local authorities shortly
- In those sectors, if your rateable value is between £15K and £51k, you'll also receive a cash grant of up to £25,000 per property.

## **Coronavirus Business Interruption Loan Scheme**

- These loans should be available from Monday 23 March and are delivered by lenders that partner with the British Business Bank, including all the major banks.

- The government will act as a guarantor to lenders on 80% of each loan to give them confidence to provide this funding to SMEs.
- The government will not charge businesses or banks for this guarantee and will support loans up to £5 million. The borrower remains liable for 100% of the debt.
- No interest will be charged for the first 12 months.
- Eligibility:
  - You are a UK based business
  - Turnover of no more than £45 million per annum
  - You meet the British Business Bank eligibility criteria
- What do I need to do?
  - The full rules for the scheme is available on the British Business Bank website: <https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils/>
  - All major banks will offer the scheme once launched, of which there are currently 40 accredited providers
  - You should talk to your bank or finance provider as soon as possible to discuss your business plan with them to help them act quickly once the scheme is launched
  - If you have an existing loan, it may also be worth asking for a repayment holiday to help cash flow
- Whilst we hope to be proved wrong, we suspect that getting access to any cash via this mechanism may take time. Demand will be huge and it will be interesting to see how lenders cope with this demand.

## **COVID-19 corporate financing facility**

- The Bank of England has set up a scheme to finance working capital by purchasing commercial paper from larger business 'making a material contribution to the UK economy'. Businesses do not need to have previously issued commercial paper in order to participate.

- The scheme will operate for at least 12 months.
- Eligibility
  - All UK businesses are eligible
- What do I need to do?
  - The scheme will be available early in the week beginning 23 March 2020
  - More information on how to access will be published shortly

## **Mortgage and rent holiday**

- Mortgage borrowers can apply for a three-month payment holiday from their lender. Both residential and buy-to-let mortgages are eligible for the holiday. It is important to remember that borrowers still owe the amounts that they don't pay as a result of the payment holiday. Interest will continue to be charged on the amount they owe.
- Tenants can apply for a three-month payment holiday from their landlord. No one can be evicted from their home or have their home repossessed over the next three months. We are looking into the support for landlords to allow them to do this.

## **Insurance claims**

- Businesses that have cover for both pandemics and government-ordered closure should be covered. The government and insurance industry confirmed on 17 March 2020 that advice to avoid pubs, theatres, etc., is sufficient to make a claim as long as all other terms and conditions are met. Insurance policies differ significantly, so businesses should check the terms and conditions of their specific policy and contact their providers.

## **Statutory Sick Pay (SSP)**

- If you're a director of a limited company with less than 250 employees, you can pay yourself two weeks of SSP if you need to self-isolate subject to meeting the minimum payroll requirement for SSP.
- The government will refund £94 per week, maximum £188, to your company.
- It will also refund SSP for staff of businesses with less than 250 employees for up to two weeks.

- Small and medium sized businesses and employers will be able to reclaim up to 2 weeks Statutory Sick Pay (SSP) for sickness absence due to COVID-19.
- Statutory Sick Pay is to be paid from day 1 instead of day 4 for those affected.
- Support:
  - The refund will cover 2 weeks SSP per eligible employee off work because of COVID-19
  - You employ fewer than 250 employees – This is based on the number of people employed as of 28 February 2020
  - Employers will be able to reclaim expenditure for any employee who has claimed SSP due to COVID-19
  - Employers should maintain records of staff absences and payments of SSP, but employees will not need to provide a GP fit note
  - If evidence is required by an employer, those with symptoms of coronavirus can get an isolation note from NHS 11 online (<https://111.nhs.uk/covid-19>) and those who live with someone that has symptoms can get a note from the NHS website (<https://www.nhs.uk/conditions/coronavirus-covid-19/self-isolation-advice/>)
- Eligibility:
  - Your business is UK based
  - Your business is small or medium-sized and employs fewer than 250 employees as of 28 February 2020
- What do I need to do?
  - A rebate scheme is being developed
  - Once the legislation has passed, further details will be released

## **IR35 reforms delay**

- HMRC have delayed the introduction of reforms to IR35 that were due to come into force from the 6th April 2020

- These will now take effect from the 6th April 2021
- For more updates, please follow the following link:

<https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/covid-19-support-for-businesses>

## **Filing of annual accounts**

- From today (25 March 2020), businesses will be able to apply for a 3-month extension for filing their accounts.
- This joint initiative between the government and Companies House will mean businesses can prioritise managing the impact of Coronavirus.
- As part of the agreed measures, while companies will still have to apply for the 3-month extension to be granted, those citing issues around COVID-19 will be automatically and immediately granted an extension. Applications can be made through a fast-tracked online system which will take just 15 minutes to complete.
- Full guidance can be found on the Companies House website: <https://www.gov.uk/guidance/apply-for-more-time-to-file-your-companys-accounts>

### **Further information**

**Please do not hesitate to contact us to discuss any of the above:**

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**[www.langricks.com](http://www.langricks.com)**