

Covid 19 Government Support

Self-employment Income Support Scheme

On Thursday 26 March the government announced their intention to provide further support for the self-employed in the form of a taxable cash grant.

The scheme allows individuals to claim a taxable grant worth 80% of their trading profits up to a maximum of £2,500 per month for the 3 months from March to May 2020. This may be extended if needed.

The taxable cash grant will be in the form of a single lump sum to cover the three months from March to May 2020. It will be paid in June 2020 to those that are eligible directly into their bank account.

The self-employed including members of Partnerships will be eligible if their trading profits for 18/19 were less than £50,000 and more than 50% of their income stems from self-employment.

Alternatively, they will be eligible if their average trading profits for the tax years 16/17, 17/18 and 18/19 were less than £50,000 and more than 50% of their income stems from self-employment. For those that started trading between 2016-19 HMRC will only use those years for which a Self-Assessment tax return has been filed.

The scheme will be open to those that have submitted an income tax self-assessment tax return for the year to 5 April 2019 (the 18/19 tax year). Worth noting that HMRC's guidance does state that the 18/19 tax return must be filed by 23 April 2020 in order to be eligible! For those that have yet to file their 18/19 tax return, it represents something of an opportunity.

Additional eligibility criteria include the requirement that the individual must have lost trading profits due to Covid-19 and they must have traded in 2019/2020, intend to trade in 2020/2021 and are trading at the point of application or would have been except for Covid-19.

Individuals that claim Tax Credits would need to include the grant as part of their income.

It is crucial to observe that HMRC will contact and invite those that are eligible to apply. Applications will need to be made online when the invitations have been issued by HMRC.

Individuals do not need to contact HMRC now.

This seems an opportune moment to remind readers that HMRC does not send texts or make calls asking for bank or credit card details. If this happens then it is likely to be a scam. Please be wary.

Government Measures to Support Small Businesses

Over the course of the last week the Chancellor has set out a package of measures to support businesses through the disruption caused by COVID-19.

Deferring VAT and Income Tax Payments

The government announced a 3-month deferment in Valued Added Tax (VAT) payments for all UK businesses. Consequently, there is no requirement to make a VAT payment from 20 March 2020 until 30 June 2020. Taxpayers will be given until the end of the 2020/21 tax year to pay any liabilities that have accumulated during the deferral period.

VAT refunds and reclaims will be paid by the government as normal. The chancellor also announced that the self-employed who have Income Tax Self-Assessment, payments due on the 31 July 2020 will have until the 31 January 2021 to make their payments.

Support with Business Rates

In addition to the above the chancellor also introduced business rates holidays for businesses in certain sectors that could be most adversely affected. These include:

- Business rates holiday for retail, hospitality and leisure businesses
- Cash grants for retail, hospitality and leisure businesses
- Business rates holiday for nurseries in England for the 2020 to 2021 tax year
- Businesses that pay little or no business rates because of small business rate relief (SBBR) or rural rate relief (RRR) are eligible for a one-off grant of £10,000 to help meet their ongoing business costs

SME Support

SME's could be eligible to access a new Coronavirus Business Interruption Loan Scheme allowing them to with access to working capital up to £5 million. The government will pay to cover the first 12 months of interest payments. To give lenders further confidence in continuing to provide finance to SMEs the government will provide lenders with a guarantee of 80% on each loan (subject to a per-lender cap on claims).

For larger companies there is a new Covid-19 Corporate Financing Facility, whereby the Bank of England will buy short term debt from larger companies.

This initiative supports companies that have been affected by a short-term funding squeeze, allowing them to finance short-term liabilities.

Paying Employees

In addition, the chancellor announced specific measures to support employees who are designated as a "furloughed" workers, due to the Coronavirus pandemic. Further details can be found [here](#).

For business or the self-employed who have concerns about paying taxes due to coronavirus, HMRC have a helpline for help and advice: 0800 0159 559.

Coronavirus Job Retention Scheme – Furlough Scheme – (Updated 27/03/2020 @ 11.56am)

HMRC will set up a new online portal so that ALL UK employers, regardless of size, will be eligible for assistance where an employee has been designated as a 'furloughed worker.' HMRC will reimburse 80% of furloughed workers wage costs, up to a cap of £2,500 per month. The current plan is that this will be in place for 3 months, starting from 1 March 2020, at which point it will be reviewed. Employers must set out which of their employees are 'furloughed workers' and inform the particular employees.

The current guidance states 'You will remain employed while furloughed. Your employer could choose to fund the differences between this payment and your salary, but does not have to'

Changing the status of employees remains subject to existing employment law and, depending on the employment contract, may be subject to negotiation.

When will it apply? – (Updated 27/03/2020 @ 11.56am)

This will be backdated for wages from 1 March 2020 although it will be some weeks before payments under this scheme are made to employers. HMRC updated their guidance on 26 March to state that they expect it to be up and running by the end of April.

When will it end?

The scheme is in place for 3 months at present and it will be reviewed as and when that becomes necessary.

How will an employer apply for the reimbursement? – (Updated 27/03/2020 @ 11.56am)

The finer details are yet to be released, however 1 claim can be made every 3 weeks.

If your business needs short term cash flow support, you may be eligible for a Coronavirus Business Interruption Loan.

It is worth noting that employers may wish to consider this new loan facility which provides loans of up to £5m being accompanied with no interest charges for the first 12 months. Employers may consider the possibility of using this money to ease immediate cash-flow issues in order to furlough employees. The aim being to pay it back within 12 months when they are reimbursed under the Job Retention Scheme.

Does it apply to all employers?

It applies to all UK businesses, regardless of their size. This applies to charitable and not for profit businesses too.

This is a grant which employers do not have to pay back.

What is a 'furloughed' employee?

The word furlough generally means a temporary leave of absence from work.

A furloughed employee is someone who rather than being dismissed for redundancy by their employer, is kept on the payroll during a period where the employer does not have any work for the employee.

There is an employment law aspect to this. Employers will need to consult and agree on which each employee that they are being furloughed.

How long can an employee be furloughed? – (Updated 27/03/2020 @ 11.56am)

A minimum of 3 weeks.

Can an employee work for an employer whilst they are furloughed? – (Updated 27/03/2020 @ 11.56am)

To qualify for the scheme, employees must not undertake work for the employer while furloughed. If the employee is on reduced hours or reduced pay then they would not be eligible for this scheme.

What if the employee is on SSP already? – (Updated 27/03/2020 @ 11.56am)

It is not clear to what extent employers will be able to furlough employees who are currently on SSP.

HMRC state that employees on sick leave or self-isolating should get Statutory Sick Pay, but can be furloughed after this. Employees who are shielding in line with public health guidance can be placed on furlough.

Does it apply to all employees? – (Updated 27/03/2020 @ 11.56am)

The 80% wage guarantee will cover Zero-hour contracts or casual workers as long as they were on PAYE payroll on 28 February 2020. This means that any employee that is hired after 28 February cannot be eligible for this scheme. The scheme also covers employees who were made redundant since 28 February 2020, if they are rehired by their employer. However, those employees on unpaid leave cannot be furloughed, unless they were placed on unpaid leave after 28 February 2020. The self-employed are not covered by this scheme. Please refer to our Self-employment Income Support Scheme advice.

What will the Grant from HMRC cover? – (Updated 27/03/2020 @ 11.56am)

80% of an employee's regular wage or £2,500 per month, plus the associated Employer National Insurance contributions and minimum automatic enrolment employer pension contributions on that subsidised wage.

Must an employer supplement employees' salaries over the 80%? – (Updated 27/03/2020 @ 11.56am)

HMRC advise that the employee's actual Gross salary should be used in order to arrive at the 80% figure in relation to full and part-time employees.

The Gross salary does not include Fees, bonuses and commission.

At a minimum, employers must pay their employees the lower of 80% of their regular wage or £2,500 per month to meet eligibility criteria.

Employers can choose whether to:

Only make the salary payment (80%, capped at £2,500) reimbursed by the government.

Pay all of the difference between the grant and the employee's normal salary.

Pay part of the difference between the grant and the employee's normal salary.

Note the emphasis on 'normal' salary and 'regular' wage.

How does the grant impact on a business's tax position? – (Updated 27/03/2020 @ 11.56am)

The Grant will be treated as normal business income and taxable accordingly.

Please do not hesitate to contact us if you have any questions.

