

# David Allen

Accountancy • Tax • Business Services

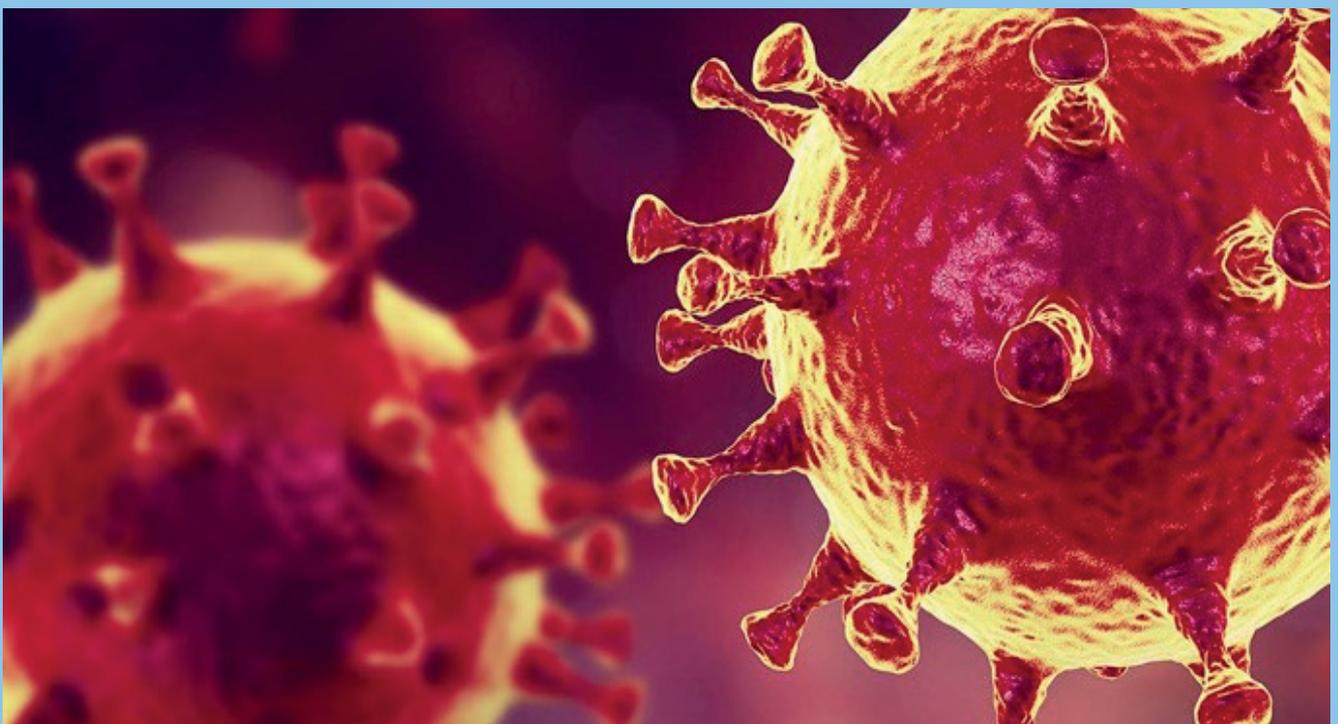
## Coronavirus Financial Support for Businesses and Employees

Everyone is concerned about the health implications of the rapid spread of the virus, but businesses and individuals are starting to worry about what the virus will do to their finances.

The government has announced a package of various measures to help businesses but this assistance may take time to filter through. With wages and bills to pay, this support may arrive too late to help with a business that needs cash now.

To help clients navigate through the next few difficult months, David Allen has compiled the following checklist of what help is currently available.

As always, our team of experts are here to help. If you need any advice over the coming months, then please do get in touch.



## Does your business have employees?

If your answer is yes, you may benefit from the Coronavirus Job Retention Scheme (CJRS).

### **What's being offered?**

HMRC will reimburse 80% of the furloughed employee's wage costs, up to a cap of £2,500 per month.

### **What is a furloughed worker?**

A furloughed worker is an employee who is required to be temporarily laid off work. In this case that means anyone asked to stop working during the Coronavirus pandemic but who are furloughed and kept on the payroll, rather than losing their job.

Directors who are paid a salary via PAYE can also be furloughed and be included in the scheme.

All UK businesses are eligible.

### **What do I do now?**

- Review your contracts of employment. If they contain any clauses for short term lay-off, then you may go ahead with the furlough process without explicit agreement from employees. However, it is still best practice to discuss the situation with your employees, and get their agreement to the reduction in wages.
- If the employee's contract does not have a 'lay-off' provision, then you should speak with those staff who would be at risk of redundancy and explain the situation and the options available. These options would usually either be unpaid leave, redundancy, or agreeing to be furloughed. You should get their written agreement to be furloughed if this is their preference.

## Does your business have employees? (Continued)

- Review your current staffing position and consider which staff would be at risk of redundancy due to a reduction in work as a result of the Coronavirus. These would be the workers you should consider designating as furloughed.
- Employers must designate affected employees as 'furloughed workers' and notify them of this change.
- Employers should pay the furloughed employees on their normal pay date and then be reimbursed from HMRC.
- You will need to submit information to HM Revenue and Customs (HMRC) regarding any furloughed employees via a new online portal. We are awaiting further details of this portal, and HMRC has confirmed that they are urgently working on this. We expect this to be ready towards the end of April.

### **Which of my employees are eligible to be furloughed?**

- Full time and part time employees – based on actual salary before tax at 28 February 2020.
- Employees on flexible or zero-hour contracts.

For those employees employed by you for over twelve months - The same month's earnings from the previous year

- Average monthly earnings from the 2019-20 tax year

For those employees employed by you for less than twelve months - Average monthly earnings since they began working for you

### **What will I receive?**

The grant from HMRC will cover the 80% wages of the furloughed employee (up to £2,500 per month) plus the associated Employers National Insurance contributions and minimum automatic enrolment pension contribution.



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## Does your business have employees? (Continued)

An example: Full time employee earning £2,400 each month (based on 2020/21 allowances)

	£
Furloughed gross wage (80%)	2,000.00
Employers national insurance	176.73
Employers pension contribution (3%)	60.00
Total received from HMRC	2,236.73

### When will I be reimbursed?

Grants are to be backdated 1 March 2020 for all eligible employees, including those that were made redundant after this date as a result of Coronavirus, providing that they have been reinstated.

The scheme will be operational for at least three months but could be extended after this point.



## Frequently Asked Questions

### **What if we have already laid staff off, or made them redundant?**

The Chancellor has confirmed that the scheme is backdated to 1 March 2020, therefore any lay-offs, or redundancy measures taken since that date could be reversed and covered by the scheme.

### **What if we are in the middle of a redundancy exercise?**

Our advice would be to pause the redundancy exercise and instead furlough the employees that are currently at the risk of redundancy. This will ensure that they qualify for the 80% grant once the portal is available.

### **Is the £2,500 the gross or net amount that can be paid?**

The £2,500 is the gross amount that can be paid. The furloughed employees wage is still liable to deductions of tax, national insurance and pension contributions.

### **What about auto-enrolment pensions?**

The furloughed employees salary is still liable to pension contributions. The grant received from HMRC will include the 3% employers contribution, if you pay more into the pension on behalf of your employees, you will be liable for the difference.

### **Can employees who have been 'furloughed' come in to work at a later date and then be 'furloughed' again?**

Employees can be furloughed for a minimum of three weeks. You could then rotate staff should you feel this would be of benefit to your business.

### **What about employees who have lost most but not all of their available work? Can they receive anything?**

Any furloughed employees cannot complete any work on behalf of the business, so therefore, these employees would not be eligible for a payment under the CJRS.

### **What about any employees that I have that are currently on maternity, paternity or shared parental leave?**

Any employee who is on or due to begin their statutory leave, will continue to receive the statutory payment. Any enhanced contractual leave you pay in addition to the statutory payment can be included in the wage costs that you can claim through the scheme.

## Frequently Asked Questions (Continued)

### **When will employers be able to access the monies from the Coronavirus Job Retention Scheme?**

It was announced that employers should have access to this by the end of April, but we are waiting for the exact date the portal will be available.

### **What will I need to make a claim?**

- Your PAYE reference number
- The number of employees being furloughed
- The claim period (you can only submit a claim once every three weeks)
- Amount claimed for the period
- Your bank account number and sort code, where you wish payment to be made
- Contact name and number for claim audit purposes.

We will continue to update our guidance as more information is published from the Government, and the online portal becomes available.



## Statutory Sick Pay (SSP)

### What's being offered?

The Government has brought forward legislation to allow small and medium-sized businesses to reclaim Statutory Sick Pay (SSP) paid for sickness absence due to Coronavirus. This includes employees self-isolating as a precaution and employees following advice to stay at home. Employees must earn on average at least £118 per week before tax.

The eligibility criteria for the scheme will be as follows:

- This refund will cover up to two weeks' SSP per eligible employee who has been off work because of Coronavirus.
- Employers with fewer than 250 employees will be eligible – the size of an employer will be determined by the number of people they employed as at 28 February 2020.
- Employers will be able to reclaim expenditure for any employee who has claimed SSP (according to the new eligibility criteria) as a result of Coronavirus.
- Employers should maintain records of staff absences, but employees will not need to provide a GP fit note for the first 7 days. After 7 days of absence, it is at the discretion of the employer.
- The eligible period for the scheme will commence on 14 March 2020, the day after the regulations on the extension of Statutory Sick Pay to self-isolators come into force.

### How do I claim and what is the timescale for the refund?

- There has been no detail provided as yet on how to claim. Employers are advised to maintain records of employee absences and payments of SSP made.
- The Government have advised that they will work with employers over the coming months to set up the repayment mechanism for employers as soon as possible. Existing systems are not designed to facilitate employer refunds for SSP.

If you would like assistance with your payroll and SSP, please contact Sara Turner on 01228 711888.

## Do you have a business premises?

If your answer is yes, then you may qualify for Grant Support from your local authority.

### **What you will need:**

Your latest business rates invoice, showing your rates reference.

### **For those qualifying for Small Business Rate Relief (SBRR)**

You will be eligible for a £10,000 one off cash grant. If you applied for Nursery Relief or Disabled Relief but are eligible for the Small Business Bonus Scheme you can also get this grant.

Local authorities should receive the funding in early April.

### **For those businesses in the Hospitality, Retail and Leisure Sectors**

- If your Rateable Value (RV) is under £15,000 (£18,000 in Scotland) you will be eligible for a £10,000 one off cash grant.
- If your Rateable Value (RV) is between £15,001 - £51,000 (£18,001 - £51,000 in Scotland) you will be eligible for a £25,000 one off cash grant.
- Scottish retail, hospitality and leisure businesses will get 100% rates relief. To get this relief, a property has to be occupied. Ratepayers will need to apply to their Local Authority for this relief.

Application processes for grants are now live for some Local Authorities. Please check your Local Authority website to download the necessary form to complete.

### **Local Authority updates**

- Copeland Borough Council – Please visit <https://www.copeland.gov.uk/coronavirus-resources-business>.
- Dumfries and Galloway Council – Please visit <https://www.dumgal.gov.uk/article/20660/COVID-19-Support-for-Local-Businesses>



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## Do you have a business premises? (Continued)

- Allerdale Business Rates Grant - Application Details - <https://www.allerdale.gov.uk/en/coronavirus/coronavirus-business-grants-claims/business-support-grant-application/>
- Eden - <https://selfservice.eden.gov.uk/renderform.aspx?t=262&k=964D769EF15050F36DBB9C96DDC7C74C27677BE9>
- South Lakeland - <https://selfservice.southlakeland.gov.uk/renderform.aspx?t=93&k=0C44CDB3AE6713461719E20CC39A2EA7CF2010AA&refresh=1>
- Carlisle City Council - <https://www.carlisle.gov.uk/news-and-events/coronavirus-9>

These webpages include a link to the Business Support Grant application form that all eligible businesses should complete.

We will continue to add further Local Authority updates as they become available.



## Childcare providers

### **What is being offered:**

The Chancellor has announced that childcare providers will be eligible for a business rates holiday for one year. That means non-local authority providers of childcare (registered with Ofsted and providing EYFS) will pay no business rates in 2020 to 2021, from 1 April. This applies to Ofsted-registered childcare providers for children of all ages, including childminders, nurseries and wraparound childcare and clubs (before and after- school and holiday care). This guidance does not cover nannies or au pairs, as they work in the child/ children's family home.

Nurseries in receipt of Small Business Rate Relief or Rural Rate Relief will benefit from Small Business Grant funding of £10,000. This includes nurseries who are eligible for a charitable status relief – they will also not pay business rates in 2020 to 2021.



## Are you worried about cash flow?

Cash is king in uncertain times and now more than ever it is important that businesses effectively manage their cash flow.

You may benefit from the Coronavirus Business Interruption Loan Scheme.

### What's being offered?

- The scheme was launched on 23 March 2020 to support small and medium-sized businesses to access bank lending and overdrafts.
- Loans up to £5m are available, with the Government providing 80% guarantee.
- First 12 months interest free and no up-front guarantee or arrangement fees.

### To be eligible for the scheme:

- The application must be for business purposes.
- The applying business must be a UK-based SME with an annual turnover of less than £45m.
- The applying business must generate more than 50% of its turnover from a trading activity
- The applying business will use the lending to support primarily UK-based trading
- The maximum available to borrow under the scheme is £5m. The maximum term will be six years for loans and asset finance, and three years for overdrafts and invoice finance)

### How to apply:

- If you meet the above criteria, contact your current bank.

The full rules of the Scheme and a list of the accredited lenders offering the scheme can be found here (<https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils/accredited-lenders/>).

- Prepare a borrowing proposal which demonstrates the business being able to trade out of any short to medium term difficulty. Ensure your accounting information up to date as this may be required for your application.

At David Allen, we have the expertise to quickly establish where you are and help you navigate through these difficult times. We can assist with cash flow forecasts and business plans in support of lending decisions and have the software to stress test these forecasts for different business scenarios.

## Debtor management

In difficult times customers will try to extend credit terms. Invoice discounting may be a way of releasing cash from your debtors.

The desire to help your customers through these difficult times needs to be balanced with the need to maintain your own businesses cash flow, and it is important to agree payment terms.

Here at David Allen we have a dedicated team that can assist you with debt collection. To understand more about this give us a call today on 01228 713070.

### **Reduce spending where possible**

- Review staffing levels

Can you reduce staffing levels and consider reducing staff hours. You will need to ensure that this is in accordance with contracts of employment.

- Can you temporarily extend your overdraft facility?
- Hire and Lease Purchase payment holidays

Contact your finance providers as soon as possible to discuss Hire and Lease Purchase payment holidays. It is always better to agree repayment holidays with your finance providers upfront as this should not affect your credit rating going forward.





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## Self employed and individuals

### **Are you struggling to make your mortgage payments?**

- Lenders are offering payment holidays.  
Three-month payment holidays are available for Residential, Buy to Let and Help to Buy mortgages.
- If you think you may experience payment difficulties and may need a payment holiday. You should speak to your lender in good time before the next payment is due to avoid damaging your credit rating.
- It is important to remember that you still owe the amounts that you don't pay as a result of the payment holiday and interest will continue to be charged on the amount you owe.
- Taking a payment holiday will not impact your credit score.
- If you are behind with your mortgage payments, you can still have a payment holiday. You will need to discuss this with your lender.
- Lenders have temporarily stopped Repossession action.
- We would not advise you to cancel any direct debit unless this has been agreed with your lender.

### **Universal Credit**

The Chancellor has announced that the Self-Employed can now access Universal Credit basic allowance at a rate equivalent to statutory sick pay for employees.

### **What is it?**

If you are on a low income or are out of work, the payment is intended to help with living costs.

### **Eligibility**

- You're on a low income or out of work
- You're 18 or over (there are some exceptions if the claimant is 16 to 17)
- You're under state pension age (or your partner is)
- You and your partner have £16,000 or less in savings between you
- You live in the UK.

## Self employed and individuals (Continued)

### How much will I receive and when?

- Universal Credit is made up of a standard allowance of £94.25 a week, and some people may be able to get additional amounts, due to their circumstances. This can include if they have children, or if they have a disability or health condition which prevents them from working, or need help in paying rent.
- The payment is usually made monthly - although this may be more frequent in Scotland.

### What additional allowances are available in addition to the basic allowance?

- It's possible to access independent benefits calculators online, in order to see how much you can get.  
<https://www.gov.uk/benefits-calculators>
- Your circumstances are assessed each month, and changes in circumstances can affect how much you are paid for the whole assessment period - not just from the date that the changes are reported.

Universal Credit basic allowance has been increased by £1,000 per year (£19.23 per week).

Working Tax Credit has been increased by £1,000 per year (£19.23 per week).

The British government is considering ways to extend its new wage support scheme to the self-employed. Please keep checking this page for the latest news.

### Who will qualify?

- Individuals who completed a 2019 self-assessment tax return, whose majority of income was self-employed profits. For those who missed the 31 January 2020 submission deadline, you will have four weeks to submit your return to HM Revenue and Customs (HMRC).



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## Self Employed Income Support Scheme

- Individuals with self-employed profits of less than £50,000.
- The self-employed profits need to be the individual's main source of income i.e. being more than 50% of their total income for the year.

### **What will I receive?**

Each eligible Individual will receive a taxable grant of 80% of your average profits over the past three years, with a £2,500 cap per month. For those with less than 3 years of trading, the average will be taken from the years submitted.

### **How do I apply?**

HMRC will contact all individuals that are eligible with a form to complete.

### **When will I receive the grant?**

The Chancellor has advised that they are hoping to contact all eligible individuals by the end of June, and monies will be received as a lump sum.





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## Support on paying taxes

### **Do you have VAT payments due before 30 June 2020?**

For the month or quarter ending:

- 29 February 2020 – due for payment 7 April 2020
- 31 March 2020 – due for payment 7 May 2020
- 30 April 2020 – due for payment 7 June 2020

The above payments have been deferred until the end of the tax year (31 March 2021).

- You will still be required to submit any VAT Returns due.
- This is automatic, you do not need to inform HMRC.
- Businesses who normally pay by direct debit should cancel this with their bank if they wish to utilise this deferral period. Please ensure this is cancelled in sufficient time so that HMRC do not attempt to automatically collect on the direct debit date.
- Repayments will be processed as normal.
- 

### **Do you have a Self Assessment tax payment on account due to be paid by 31 July 2020?**

If so, these payments have been deferred and are not due to be paid until 31 January 2021. This is automatic, you do not need to inform HMRC.

### **Are you struggling to pay any other taxes?**

If so, HMRC has strengthened its Time to Pay arrangements to support you:-

- Call 0800 0159 559 to arrange a payment plan.
- Make sure that the Time to Pay plan you arrange is affordable to you.

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## General guidance

### Insurance

Many business interruption insurance policies are dependent on damage to property, which will exclude pandemics. Some businesses may have purchased supply chain or denial of access cover which may meet their needs in this case.

The Chancellor announced on 17 March 2020 that the measures that have been introduced regarding pubs, clubs, restaurants and theatres, are enough to allow insurers to pay out under Business Interruption clauses. This will be a welcome relief to many businesses where the insurers who would not pay out until a 'ban' was in place. We recommend that our clients review all relevant insurance policies to see if they are now covered.

### IR35 Legislation

On the evening of 17 March 2020, Steve Barclay MP has made a House of Commons announcement that the changes to the private sector have been deferred for one year until 2021, in response to the Coronavirus pandemic.

The Government is due to amend the legislation and we will confirm any further details at this point.



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## Accounts and tax compliance

### What's being offered?

From 25 March 2020, businesses who have been badly affected by the Coronavirus will be able to apply for a three month extension for filing their accounts.

### How to apply?

- Applications can be made by post to Companies House or online at <https://beta.companieshouse.gov.uk/extensions>
- You will need to document reasons for requesting the extension and may need to provide supporting documents.
- You must submit the application prior to the current filing deadline because applications after this will not be accepted and late filing penalties will be applied.
- Decisions on extension request can take up to five days, therefore we recommend that you give yourself enough time with the application.

