

## **FSPG Coronavirus Financial Support Review**

### **INTRODUCTION**

The Coronavirus (COVID-19) pandemic has impacted on the whole country, on a social and economic level. To assist individuals and companies during these difficult and unprecedented times, the UK Government has introduced a number of measures.

This report is a summary of what assistance is available. Certain elements are subject to change before they are fully implemented, and the information provided is based on our understanding of regulations, based on announcements up to 15 April 2020.

If you would like further details on any element, please speak to your usual contact at FSPG.

FSPG continues to work during the pandemic, but in line with government guidance, our principals and staff are currently working from home. Our contact details remain unchanged, however, due to the volume of enquires we are currently handling, it may take slightly longer to respond to communications. We thank you for your patience, and above all, we hope you stay well.

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**15 April 2020**

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

### **Coronavirus Job Retention Scheme**

Are you a UK employer (with a UK bank account), who operated payroll scheme at 19 March 2020?

#### CONSIDERATION

- If you cannot maintain your current workforce because your operations have been severely affected by coronavirus, you can furlough (give a temporary leave of absence to) employees/directors and apply for a grant that covers 80% of their usual monthly wage costs, up to £2,500 a month, plus the associated Employer National Insurance contributions and pension contributions on that subsidised furlough pay.

#### ACTION REQUIRED

Need to decide:

- Who to furlough. Need to notify/discuss with them. Employment law must be respected.
- What salary will be paid to each employee/director during the furlough period.
- How long the furlough period is anticipated to be for each employee/director.
- If salaries for other staff will be reduced or deferred. Need to consider long term staff plans.
- If any employees who had been made redundant or who left on their own accord since 28 February 2020, will be re-employed and put on furlough, and a grant claimed to cover their wages.
- Who will calculate and apply for the grant (the company or FSPG).

**Further details on the Coronavirus Job Retention scheme are given on the attached information sheet.**

### **Self-employed Income Support Scheme (SEISS)**

Did you have a self-employed or (total) partnership profit no more than £50,000, and more than half of your total income for either the 2018/19 tax year or the average of the 2016/17, 2017/18 and 2018/19 tax years? A grant under SEISS may be relevant.

You must also be continuing to trade in 2019/20, be trading when you apply (or would be except for Coronavirus) and can confirm to HMRC that you have lost trading profits due to coronavirus.

#### CONSIDERATION

- The grant will be equal to 80% of average trading profit for 2016/17, 2017/18 and 2018/19, divided by 12 and subject to a maximum £2,500 per month (for an initial 3-month period, covering March to June 2020).
- If tax returns have not been submitted for all 3 years, it will be based on average trading profit based on continuous periods of self-employment (so 2017/18 and 2018/19 or just 2018/19, even if self-employed in 2016/17).
- It will be paid in one instalment, to a bank account, in early June 2020. It will be subject to income tax and national insurance.
- Receipt of the grant does not affect the ability to undertake self-employed work.
- Self-employed individuals can make a claim for Universal Credit before receiving the grant, but any grant received will be treated as self-employed income and may affect the amount of Universal Credit.
- If a self-employed person is furloughed from an employment they also hold, then their employer may claim for a grant under the Job Retention Scheme, in respect of that employment.
- Special rules apply to those caught by disguised remuneration loan charge rules or farmers using averaging relief.
- Any amendments made to a tax return after 26 March 2020 will not be taken into account when working out eligibility or amount of a grant.

#### ACTION REQUIRED

- Ensure that the 2019 tax return has been filed. If it has not, it should be submitted by 23 April 2020, to be potentially eligible for the grant.
- HMRC should automatically contact those eligible by mid-May and invite them to apply online using the GOV.UK website, but FSPG can assist in:
  - checking eligibility,
  - pursuing HMRC if an eligible person has not been contacted,
  - making the application, and
  - ensuring the correct level of grant has been paid.

## VAT matters

Are you VAT registered?

### CONSIDERATIONS & ACTION REQUIRED

- **If VAT payments (including payments on account and interim payments under the annual accounting scheme, but excluding Mini One Stop Shop payments & import VAT) are due to be made in the period from 20 March to 30 June 2020, then such payments will automatically be deferred, until 31 March 2021 at the latest.**
- **If there a direct debit for payment of VAT, it should be cancelled, until the deferral period ends.**
- Consider cancelling a VAT registration, if now trading under the deregistration threshold (but beware that VAT must be accounted for on any stocks and assets at the time of deregistration, and capital goods scheme adjustments may be required for any capital items. Also HMRC will not allow a registration to be cancelled if the reduction in turnover is due to an intention to stop trading, or it suspends making taxable supplies for 30 days or more in the next 12 months).
- Consider moving onto monthly VAT returns if anticipate being in a repayment position.
- Consider Bad Debt Relief claims, where customers have not paid.
- Consider reduce the level of payments on account (if applicable).
- Ensure all input tax is claimed on all invoices that have an invoice date in the VAT return period.
- The requirement to digitally link all parts of functional compatible software under “Making Tax Digital” will be deferred by 12 months to 1 April 2021.
- If it is not possible to collate precise figures to complete a VAT return, then apply to HMRC, via the [VAT enquiry online form](#), to request approval to use estimated figures. If HMRC considers that you have a good reason, you may, exceptionally, be allowed to estimate your input tax or output tax, or both. Any resulting adjustment should be included on the VAT Return for the next period.

### Deferment of other tax payments

Is there personal or corporation tax outstanding, or becoming due within the next 2 months?

#### CONSIDERATION

- HMRC have indicated that they will be more willing to agree to “time to pay” for taxpayers unable to pay due to Coronavirus. They can also suspend debt collection proceedings and cancel penalties/interest where there are administrative difficulties in contacting or paying HMRC immediately.
- **Under a special arrangement, HMRC will allow 3 months as an automatic deferral, even where the relevant tax return has not been submitted. An appeal can be made against the resulting interest charges, provided that the tax is paid in full by 31 March 2021. After those 3 months, a “traditional” time to pay plan could be agreed, based on funds and circumstances at that point.**
- The dedicated HMRC Payment helpline number is 0800 024 1222 and is open 8am to 4pm, Monday to Friday.
- **If there a second personal tax payment on account becoming due at 31 July 2020, then this will be automatically deferred to 31 January 2021, without interest or penalties being charged.**

#### ACTION REQUIRED

- **Identify any personal or corporation tax currently outstanding and formulate a payment plan (initial and regular payments) with HMRC, which can be met.**
- If any payments are anticipated to be missed, HMRC should be updated.
- Identify the next payment date for corporation tax and establish an estimate of the liability. Again, formulate a payment plan.
- If a first personal tax payment on account was paid at 31 January 2020, consider if there is any scope to reduce this (in view of lower anticipated income), to generate a tax repayment.
- Any direct debits for payments of tax to be deferred should be cancelled.
- If a Tax Tribunal hearing is due to be held, the rescheduling and time limits for any appeals should be reviewed.

### **Companies House matters**

Are you required to file accounts or other documentation to UK Companies House?

#### CONSIDERATIONS & ACTION REQUIRED

- Consider applying online for a three-month extension to the normal filing deadline, if unable to file accounts on time.
- If accounts are filed late, then consider an appeal against any late filing penalty, due to unforeseen or (if applicable) health issues.
- Temporary rules of payment and filing of documents have been introduced in relation to stamp duty.

### **International matters**

Do you perform work or duties outside the UK, as an employee or director?

#### CONSIDERATIONS & ACTION REQUIRED

- If movement is impacted by restrictions imposed due to the Coronavirus, then – to determine personal residency status – up to 60 days spent in the UK can be discounted due to “exceptional circumstances”. A full diary of whereabouts and all travel tickets (used and unused) should be retained, in support of any claim.
- If residency will be established in a different country, due to movement restrictions, then tax/social security reporting and payment requirements to that country should be reviewed.
- Where the level of work carried out within or outside the UK is affected, then claims under Overseas Workday Relief should be reviewed, as a greater exemption may be relevant.
- If directors of a company incorporated outside of the UK will carry out their duties in a different location, due to movement restrictions, then consideration should be given as to where the central management and control of that company exists.

### **Government/local authority grants and loans**

Do you operate a business which pays rates or requires additional capital?

#### CONSIDERATION & ACTION REQUIRED

- If the business in the retail, hospitality, leisure or child nursery sectors, it will be eligible for an automatic 12-month business rate holiday. Local authorities should write to eligible businesses with a restated 2020/21 bill.
- If the business in receipt of Small Business Rate relief or rural rate relief grants (broadly businesses occupying properties with a rateable value of less than £15,000), it should be eligible for small business grant funding of £10,000. An application can be made (online) to the local authority.
- If it is a retail, hospitality or leisure business with property with a rateable value of (1) up to £15,000, then it will be eligible for grant funding of £10,000, or (2) between £15,000 and £51,000, then it will be eligible for grant funding of £25,000.

Properties will be occupied and are wholly/mainly being used as shops, restaurants, cafes, drinking establishments, cinemas and live music venues; for assembly and leisure (but not a casino or betting shop); as hotels, guest/boarding premises and self-catering accommodation (including furnished holiday lets).

Local authorities should write to eligible businesses with further details, though some authorities will operate an applications process.

- Further details on local authority grants is available [here](#). The search function [here](#) will direct you to your local authority website.
- If further funding is required for a SME business (UK based with turnover no more than £45m per year), then an application can be made to the company's bank for borrowing under the (Government-backed) Coronavirus Business Interruption Loan Scheme, for a loan of up to £5m, interest free & fee free for the first year. Full rules are available on the [British Business Bank website](#). Larger businesses have access to the [Covid Corporate Financing Facility](#).
- If the business is based in [Scotland, Wales](#) or [Northern Ireland](#), additional support is available.

### **Cashflow issues – for businesses**

Businesses need cashflow forecasting, budgeting and business planning more so now than ever, to assess the viability of the business as a going concern, to decide how many employees to furlough, to negotiate payment of rent with a landlord or to assist in an application to borrow under the Coronavirus Business Interruption Loan Scheme.

#### **CONSIDERATIONS & ACTION REQUIRED**

- Plan, budget and forecast cashflows, including profit & loss statements, balance sheets and cashflow statements.
- Generate weekly or monthly cashflow forecasts to assist in the operation of the business.
- Compile a business plan to support fundraising efforts.
- If rent or invoices cannot be paid, contact landlords or suppliers (commercial tenants who miss one or more payments, which are due up to 30 June 2020, are protected from eviction).
- Request a repayment holiday for any existing loans.
- Check if the terms of insurance cover pandemics and/or Government-ordered closures.
- For self-employed individuals, review whether a change of accounting date and the availability of “overlap profit” could reduce overall taxable profits.
- For self-employed individuals, carry back any known losses for 2020/21 (from an accounting period ending in that tax year) and claim relief on the 2020 personal tax return.



### **Cashflow issues – for individuals**

Due to the current uncertainties, all efforts should be made to maximise income and reduce outgoings.

#### **CONSIDERATIONS & ACTION REQUIRED**

- If an election made been made to stop receiving child benefit payments, then this could be revoked. If net income of the partner with the higher income will remain above £50k, then the payments would be recovered (in part or in full) via the self-assessment system, but in January 2022, so providing a small short term cashflow advantage. The election must be revoked by the person who originally made it, to the Child Benefit Office on 0300 200 3100. Payments should start from the Monday after the call, however if neither partner’s net income is expected to exceed £60k, the revocation can be backdated to the start of the tax year.
- If within a workplace pension scheme, then consideration could be given to opt out temporarily. This will though affect a pension fund on retirement, in terms of employee AND employer contributions.
- If paying mortgage payments, either on a main residence or a “buy to let” property, consider a “mortgage payment holiday” by contacting the lender, to stop/reduce monthly payments for up to 3 months. This should not affect individual credit ratings. This must be agreed in advance - do not just cancel a direct debit. It will also increase interest and future payments. There will be a 3 month ban of all evictions from residential properties, to support tenants.
- If any returns are submitted late to HMRC – as documentation could not be collated or a form could not be reviewed – then consider an appeal against any late filing penalty, due to unforeseen or (if applicable) health issues.
- If “Homeworking arrangements” exist with an employer, check if a contribution will be made towards additional costs. Payments of £4 (to 5 April 2020) or £6 (from 6 April 2020) per week, or actual costs (if documented), would be exempt from tax.
- Review if any other outgoings can be cancelled, such as travelcards or TV subscriptions.
- Eligibility to government support or relevant state benefits in this report should be reviewed.

## **State benefits – Guidance for employers and individuals**

Eligibility for entitlement to certain state benefits have been relaxed.

### CONSIDERATIONS

#### **Statutory sick pay (SSP) – temporary changes**

- SSP to be paid from day 1, rather than day 4, and will cover individuals advised to self-isolate.
- Absence from work can be verified via a notification from NHS111.
- Government to repay the cost of SSP for any employee off work because of coronavirus, for up to 2 weeks, where the employer has fewer than 250 employees (as at 28 February 2020). No GP fit note is required. Repayment mechanism to be established in due course.
- Directors should be careful in claiming SSP for themselves, as by doing so, they could create an implied contract of employment, which could leave them in breach of auto-enrolment obligations, if they had been considered “non-employers” without any form of contract.
- Further details [here](#).

#### **Universal credit – available to individuals and the self-employed/employed on low incomes (below the lower earnings limit)**

- The usual requirement for a minimum income floor has been removed, so the self-employed can receive support.
- Can claim without having to attend a jobcentre, if advised to self-isolate.
- Allowance is payable from day 1 of sickness due to coronavirus, rather than day 8.
- The standard allowance for universal credit and the basic element of working tax credit to be increased by £20 per week from 6 April 2020. Local housing allowance also to increase.
- Where an individual applies for universal credit, any tax debt (such as under a time to pay arrangement) would be transferred to the DWP, and repaid through a reduction to universal credit payments – this is an existing condition.
- The Universal Credit helpline number is 0800 328 5644 and is open 8am to 6pm, Monday to Friday, or contact can be made via an existing online account.
- Local authorities are expected to operate a Hardship Fund for families in financial difficulties.