

Covid-19: Help for businesses, employees and the self-employed

With the pace of the Covid-19 pandemic accelerating in the UK, new Chancellor Rishi Sunak has introduced a raft of measures designed to help businesses, their employees and the self-employed.

Many of our clients have asked if we could summarise these measures in one simple document, and what follows is our attempt to do just that.



“Whatever it takes...”

First, a general point. When he first announced his measures to help business in his Budget speech on 11th March 2020, what a long time ago that now seems, the Chancellor vowed to do “whatever it takes” to help business through the crisis.

Appearing alongside the Prime Minister a few days later, he repeated that pledge and announced several more measures, as well as increasing some of the grants he had earlier introduced. But on Wednesday morning, the front page of the *Financial Times* carried the headline, ‘We cannot protect every single job and business, Sunak admits.’ There would be no ‘sector-wide’ bailout for the airlines.

Very clearly, we are living in unprecedented times. What follows is our understanding of the current measures, and we will do our very best to keep our clients updated on any future changes the Chancellor announces.

Help for the self-employed

The Chancellor initially described helping the self-employed as ‘incredibly difficult’ and it was thought that they might need to rely on a combination of Universal Credit and tax credits, which would have left many self-employed people substantially worse off. The fact that they would be able to defer tax payments for six months would be scant consolation.

However, on Thursday evening the Chancellor announced The Coronavirus Self Employed Income Support Scheme, which would see the self-employed receive 80% of their average earnings over the last three years up to a maximum of £2,500 per month. The scheme will be available from the start of June.

Although this was welcomed by both the unions and the Federation for Small Business, there remain plenty of cracks that self-employed people can fall through. To give just one example, someone who has taken advantage of capital allowances to invest heavily in plant and machinery and thereby shown a loss in two of the last three years.

Measures designed to help businesses

Paying wages and salaries

The Government has introduced The Coronavirus Job Retention Scheme, designed to help businesses pay wages. The measure, which is backdated to 1st March 2020, will allow businesses to apply for a grant of up to £2,500 a month to cover 80% of the wages of those ‘retained but not working.’

In order to access this, businesses must designate affected employees as ‘furloughed workers’ (furlough is a splendidly old-fashioned word, it was often applied to missionaries, and means ‘leave of absence.’)

Employees should be notified of this change (which is still subject to existing employment law and could be open to negotiation) and then submit information about the furloughed employees to HMRC through an online portal.

At the time of writing, HMRC are reported to be 'working urgently' to set up a system for reimbursing employers.

VAT and Corporation Tax

VAT for all businesses will be deferred until the end of June. There is no need to apply for this, it will happen automatically, meaning that businesses will not need to pay outstanding VAT until then. VAT refunds and reclaims will be paid as normal during this period.

Individual taxpayers will be given until the end of the 20/21 tax year to pay any liabilities that have accumulated during the current deferral period.

HMRC have also 'scaled up' their time-to-pay offer for companies and individuals who are in temporary difficulties due to the Covid-19 outbreak. This applies to VAT, Corporation Tax and income tax liabilities: the relevant number to phone should you need to speak to them is 0800 0159 559 (although anecdotal evidence suggests that you may need to prepare to hold for some time...).

Income Tax

If you are liable to make payments under income tax self-assessment, then any payments due on 31st July this year can be deferred until 31st January 2021. This applies to everyone who is self-employed and in more good news no interest or penalties for late payment will be charged during the deferral period.

As above, this will happen automatically and does not need to be applied for.

But and this is a big, 'but' all tax will need to be paid eventually, and so all self-employed clients will need to know what their tax liabilities are and make plans accordingly. HMRC are suggesting that you should send them information to complete your 19/20 tax return as quickly as possible after 5th April 2020. If you feel that you will need time to pay, then we would suggest acting sooner rather than later.

Coronavirus Business Interruption Loan Scheme

This scheme is designed to give lenders further confidence in lending to SMEs, with the Government providing lenders with a guarantee of 80% of each loan. The Government will not charge businesses or the banks for this guarantee, which will support loans of up to £5m in value. When the Chancellor introduced this, he stated that it would be interest free for six months and that has now been extended to 12 months.

We currently expect banks to be able to offer these loans very soon. You can contact your bank directly, or visit <https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils-2/> for more information on both eligibility and restrictions.

Grants for businesses that pay business rates

The Chancellor has announced that there will be three different grants available for businesses that pay business rates:

I. Business rates holiday for retail, leisure and hospitality businesses

Businesses that received the retail discount in the 19/20 tax year will be re-billed as quickly as possible by their local authority. You are eligible for this business rate holiday if a) your business is based in England b) your business is in the retail, leisure or hospitality sector and c) it is wholly or mainly used as a shop, restaurant, pub, café or live music venue or more generally it is used for 'assembly or leisure.' Hotels, guest houses and self-catering accommodation also qualify.

As with many of the above cases, you do not need to take any action. The business rates holiday will be applied to your council tax bill for April 2020. If you have already received this, your local authority will re-issue the bill as soon as they can.

2. Cash grants for retail, leisure and hospitality businesses

The Retail and Hospitality Grant Scheme provides businesses in this sector with a cash grant of up to £25,000 per property. Businesses with a rateable value under £15,000 will receive a grant of £10,000 while businesses with a rateable value of between £15,001 and £51,000 will receive the higher grant of £25,000.

Again, you do not need to do anything to claim this grant: if you are eligible, your local authority will write to you.

3. Support for businesses that pay little or no business rates

Finally, in this section, the Government will provide Small Business Grant Scheme funding for small businesses that already pay little or no business rates because of small business rate relief (SBRR), rural rate relief (RRR) and tapered relief. This will be a one-off grant of £10,000 (increased from the original £3,000) to help businesses meet their ongoing business costs.

Businesses are eligible if they are based in England, occupy premises and already receive SBRR or RRR and, once again, businesses do not need to do anything to claim this relief.

Help for those in rented accommodation

Finally, the Chancellor has announced that a further £1bn will be made available for those struggling to pay their rent, through increases in housing benefit and Universal Credit.

We hope this guide has been helpful. The Chancellor may have done his best in difficult and unprecedented circumstances, and some businesses will undoubtedly be helped. We realise though that many of our clients will still be worried but if you have any questions at all, please do not hesitate to get in touch with us.

As we have always said, we are never more than a phone call or an email away.

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