

31st March 2020

Businesses and Self Employed who are having difficulty or will have difficulty in paying taxes can contact HMRC on 0800 0241 222

30th March 2020

Statutory self-employment pay

New provisions are now in place for the self employed.

The payments to be made so that the net monthly earnings do not fall below:-

- a) 80 % of their monthly earnings averaged over the last three years, or
- b) £ 2,500 - whichever is the lower.
- c) Must have a trading profit of less than £ 50,000 in 2018/19 or an average of £ 50,000 in the tax years 2016/17 to 2018/19

No payments will exceed £ 2,500 per month (equivalent to £ 30,000 per annum)

Individuals should not contact HMRC now. HMRC will use existing information to check potential eligibility and invite applications once the scheme is operational.

<https://www.cronertaxwise.com/community/coronavirus-covid-19-self-employment-income-support-scheme/>

Coronavirus Job Retention Scheme

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 can include workers who were in employment on 28 February.

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. HMRC will set out further details on the information required.
- HMRC will reimburse 80% of furloughed workers wage costs, up to a cap of £2,500 per month.

The amount to pay and claim is listed here - <https://www.gov.uk/guidance/claim-for-wage-costs-through-the-coronavirus-job-retention-scheme#work-out-what-you-can-claim>

Company directors have limited support

‘Another group who are not technically self-employed, even if they might think of themselves that way, are individuals who have their own company and have taken their income from the company as a small salary and the rest as dividends.

‘Since dividend income is not classed as self-employment income for the purposes of the self-employed income support scheme there will be no additional support and such individuals will get much less than they might have hoped for.’

<https://www.accountancydaily.co/covid-19-limited-company-directors-have-limited-support>

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. Business 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.

An HMRC spokesperson said ‘HMRC is working urgently to set up a system for reimbursement. Existing systems are not set up to facilitate payments to employers.

‘We will be able to follow up with more detail on the implementation of the scheme shortly.

‘As the new system has just been announced we’re working out the details as fast as possible.’

HMRC will have to create a new IT software system to run the scheme. This will take until April to complete as it requires a brand new system to reverse pay staff normally paid under PAYE rules.

Even in the face of this unprecedented global covid-19 crisis, there will have to be tight controls of the job subsidy to avoid abuse by unscrupulous employers who could see it as a way to simply lay off staff with no intention of rehiring them and creating ghost staff.

There is insufficient detail available at the moment to ascertain what kind of controls will be in place to monitor abuse of the system.

There has been criticism that the scheme with warnings that it takes controls away from businesses who could have put staff on half time and equally employees could have found other jobs in critical areas where there is real need at the moment.

It is also not clear whether directors and shareholders of owner managed companies can put themselves 'on furlough', or how it affects zero hours workers.

VAT payments

VAT payments can be deferred for up to 3 months. Again, all UK businesses will be eligible and the scheme will run between 20 March 2020 and 30 June 2020. There is no need to apply for this scheme. Businesses will be given until the end of 2020/2021 to settle outstanding VAT liabilities that have accumulated as a result of the 3-month deferral.

More information is available via the link below

<https://www.cronertaxwise.com/community/vqotw-covid-19-vat-payment-deferrals/>

Income Tax payments

Income Tax payments due in July 2020 under the Self-Assessment system will be deferred to January 2021.

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.

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.
- 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.
- Any business which gets small business rates relief, including those in the retail, hospitality or leisure sectors, will receive a cash grant of £10,000 (increased from £3,000 announced in the 11 March Budget).
- The rates holiday and cash grants will be administered by local authorities and should be delivered automatically, without businesses needing to claim.

Coronavirus Business Interruption Loan Scheme

- These 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 lender receives a guarantee of 80% of the loan amount from the government.
- They are available for UK-based businesses with turnover of no more than £45 million and can provide for a facility up to £5 million. The borrower remains liable for 100% of the debt.
- No interest will be charged for the first 12 months.

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.

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.

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.

IR35 private sector reforms delayed until 2021

The government has announced a one year delay to controversial changes to the off payroll working rules, due to be enacted next month, amid concerns about their potential impact during the coronavirus pandemic

Useful Links

<https://www.acas.org.uk/coronavirus>

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

<https://www.fsb.org.uk/campaign/covid19.html>