
The Coronavirus and its effects

This is the second in a series of briefing notes designed to help clients get support during the current crisis. Necessarily, some matters in this note are incomplete, because the precise mechanism for claiming is not yet clear.

Please note that we cannot accept responsibility for any reliance you may place on these notes, because they are based on our understanding of the support tools available and you or your business may not be eligible for some of the reliefs. We are, of course, happy to help where we can.

Support for the self-employed

Normally, the self-employed, including partners in a partnership or an LLP, are self-employed and pay tax in instalments on 31 January and 31 July, and any balance of tax is payable on 31 January following the end of the tax year. For 2019/20, the self-employed will not be required to pay the instalment which would have fallen due on 31 July 2020. Instead, payment will be deferred until 31 January 2021 (so there will be more to pay then, in principle). We understand that no interest or penalties will arise on the deferred amount.

We understand that this relief is automatic and no claim is required. We do not recommend cancelling a Direct Debit to HMRC.

HMRC have also scaled up their [Time to Pay offer](#) to all firms and individuals who are in temporary financial distress as a result of Covid-19 and have outstanding tax liabilities.

Support for businesses who are paying sick pay to employees

HM Government will bring forward legislation to allow small and medium-sized businesses and employers to reclaim Statutory Sick Pay (SSP) paid for sickness absence due to COVID-19.

The eligibility criteria for the scheme will be as follows:

- this refund will cover up to 2 weeks' SSP per eligible employee who has been off work because of COVID-19;
- 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 of 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 COVID-19;
- employers should maintain records of staff absences and payments of SSP, but employees will not need to provide a GP fit note;

- eligible period for the scheme will commence the day after the regulations on the extension of Statutory Sick Pay to those staying at home comes into force;
- the government will work with employers over the coming months to set up the repayment mechanism for employers as soon as possible.

There is currently no mechanism for claiming the rebate but one is to be put in place.

It is interesting to note that this wording refers to “COVID-19”, which is the disease, and not “the Coronavirus”, which is the virus which causes the disease. It may be, therefore, that simply contracting the virus will not be enough. Sadly, of course, the disease may follow on from the virus very quickly and since not many people are being tested currently, when they are tested they may already have the disease, so the distinction is probably unimportant.

It is also worth noting that the scheme will come into force after the regulations are enacted. We do not have a date for that yet, but it should be very soon.

If you use payroll software, you ought still to record the first three days of time off sick through the virus as “waiting days” but annotate them to the effect that they are due to COVID-19, so that they can be included later in any claim for repayment. The same goes in principle for paper payroll records.

Support for businesses through the Coronavirus Job Retention Scheme

Under the Coronavirus Job Retention Scheme, all UK employers will be able to access support to continue paying part of their employees’ salary for those employees that would otherwise have been laid off during this crisis. Note that this scheme is intended to encourage employers to continue to employ and pay staff.

Eligibility

All UK businesses are eligible.

How to access the scheme

You will need to:

- designate affected employees as ‘furloughed workers’, and notify your employees of this change - changing the status of employees remains subject to existing employment law and, depending on the employment contract, may have to be subject to negotiation;
- 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 shortly).

HMRC will reimburse 80% of furloughed workers’ wage costs, up to a cap of £2,500 per month. It is not entirely clear whether this means per employee or not but that seems to be

what the Chancellor said. HMRC are working urgently to set up a system for reimbursement as their existing systems are not set up to facilitate payments to employers.

So, the scheme will be available in respect of those employees that would otherwise have been laid off during the outbreak and who, for the purposes of the scheme, are described as “furloughed workers”. We presume that this means both those employees who would have been made redundant as well as those temporarily laid off where the employer has the contractual right to do so.

An employer will need to agree with its workers that their employment status is to change as the wording suggests that there is no contractual right to remove work, reduce pay or change a person’s employment status in their contract.

It appears that employers can choose to pay the other 20% of a furloughed worker’s salary, though whether this will be affordable for employers is in some doubt, it seems to us.

A furloughed employee remains employed during the period away and, presumably, continues to accrue holiday, continuity of service, etc., but cannot actually undertake work for the employer whilst furloughed. This means, technically, that an employee who has already agreed (or agrees) to work fewer hours temporarily would not be eligible to be classed as a furloughed employee.

The scheme is to be backdated to 1 March 2020 and will last initially for three months. It remains to be seen whether it will be extended.

We imagine, but do not know for sure, that someone already made redundant since 1 March because of the outbreak would need to be re-employed to qualify as a furloughed employee. Employers will need to continue paying furloughed employees (that is 80% of pay) and then claim back the grant later, so a business interruption scheme loan may be necessary to cover any cash shortfall.

As a general comment, and unless an employee on sick leave gets full pay when off sick (as opposed to SSP), there appears to be a disincentive to self-isolate, because that same employee could get 80% of their wages if they were to agree to be furloughed instead of SSP but we suppose that being off sick is a matter of fact. Likewise there is no detail on what happens if a furloughed employee returns to work for a while and then is furloughed again.

Our advice, if this might be relevant to you, is to start listing those employees who might need to be furloughed and discuss this with them and seek agreement. Any such agreement must be recorded documented and both parties should sign. Those who agree then get sent home and would be paid not less than 80% of their standard wages less tax and NI. We presume that pension contributions continue, albeit at lower amounts if contributions are based on percentages. This is another detail that may become clearer in due course. The alternative seems to be redundancy. Actually, whether the grants are for 80% of net pay or of gross pay is another area of uncertainty at present.

As mentioned above, if your business needs short term cash flow support, you may be eligible for a [Coronavirus Business Interruption Loan](#).

Support for businesses through the Coronavirus Business Interruption Loan Scheme

A new, temporary, Coronavirus Business Interruption Loan Scheme, delivered by the British Business Bank, will launch shortly to support primarily small and medium-sized businesses to access bank lending and overdrafts.

The government will provide lenders with a guarantee of 80% on each loan (subject to a per lender cap on claims) to give lenders further confidence in continuing to provide finance to SMEs. The government will not charge businesses or banks for this guarantee, and the Scheme will support loans of up to £5 million in value.

Eligibility

You are eligible for the scheme if:

- your business is UK based, with turnover of no more than £45 million per year; and
- your business meets the other British Business Bank eligibility criteria.

How to access the scheme

The full rules of the Scheme and the list of accredited lenders is available on the British Business Bank website. All the major banks will offer the Scheme once it has launched and we understand that there are 40 accredited providers in all at present.

You should talk to your bank or finance provider (not the British Business Bank) as soon as possible and discuss your business plan with them, if this is relevant. This will help your finance provider to act quickly once the Scheme has launched. If you have an existing loan with monthly repayments you may want to ask for a repayment holiday to help with cash flow too.

The scheme should be available from early in the week commencing 23 March.

Support for businesses through deferring VAT

HMRC will support businesses by deferring Valued Added Tax (VAT) payments for 3 months. For VAT, the deferral will apply from 20 March 2020 until 30 June 2020.

Eligibility

All VAT-registered UK businesses are eligible.

How to access the scheme

This is an automatic offer with no applications required. Businesses will not need to make a VAT payment during this period. 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.

We do NOT recommend the cancellation of Direct Debits for VAT, since there is a risk that future payments may be late or missed.

There is currently no suggestion that monthly payments of PAYE and NI can be deferred, so a Time to Pay arrangement or loan may be necessary to pay these.

HMRC have also scaled up their Time to Pay offer to all firms and individuals who are in temporary financial distress as a result of Covid-19 and have outstanding tax liabilities.

Support for retail, hospitality and leisure businesses that pay business rates

Business rates holiday for retail, hospitality and leisure businesses

The government will introduce a business rates holiday for retail, hospitality and leisure businesses in England for the 2020/21 tax year.

Businesses that received the retail discount in the 2019/20 tax year will be rebilled by their local authority as soon as possible.

Eligibility

You are eligible for the business rates holiday if:

- your business is based in England; and
- your business is in the retail, hospitality and/or leisure sector.

Properties that will benefit from the relief will be occupied hereditaments (the technical term used) that are wholly or mainly being used:

- as shops, restaurants, cafes, drinking establishments, cinemas and live music venues;
- for assembly and leisure; or
- as hotels, guest & boarding premises and self-catering accommodation.

How to access the scheme

You do not need to take any action, the credit should be applied automatically. This will apply to your next council tax bill in April 2020. However, local authorities may have to reissue your bill automatically to exclude the business rate charge. We understand that they will do this as soon as possible. If the discount is not applied in April, we suggest you contact your local authority. Do not cancel any existing Direct Debit.

You can estimate the business rate charge you will no longer have to pay this year using the business rates calculator.

Further guidance for local authorities is available in the expanded retail discount guidance.

Cash grants for retail, hospitality and leisure businesses

The Retail and Hospitality Grant Scheme provides businesses in the retail, hospitality and leisure sectors with a cash grant of up to £25,000 per property:

- Businesses in these sectors with a rateable value of under £15,000 will receive a grant of £10,000;
- Businesses in these sectors with a rateable value of between £15,001 and £51,000 will receive a grant of £25,000.

Eligibility

You are eligible for the grant if:

- your business is based in England; and
- your business is in the retail, hospitality and/or leisure sector.

Properties that will benefit from the relief will be occupied hereditaments that are wholly or mainly being used:

- as shops, restaurants, cafes, drinking establishments, cinemas and live music venues;
- for assembly and leisure; or
- as hotels, guest and boarding premises and self-catering accommodation.

How to access the scheme

You do not need to do anything. Your local authority will write to you if you are eligible for this grant.

Guidance for local authorities on the scheme should be provided shortly. Any enquiries on eligibility for, or provision of, the reliefs and grants should be directed to the relevant local authority.

Support for nursery businesses that pay business rates

The government will introduce a business rates holiday for nurseries in England for the 2020/21 tax year.

Eligibility

You are eligible for the business rates holiday if:

- your business is based in England.

Properties that will benefit from the relief will be hereditaments:

- occupied by providers on Ofsted's Early Years Register; or
- wholly or mainly used for the provision of the Early Years Foundation Stage.

How to access the scheme

There is no action you need to take. This will apply to your next council tax bill in April 2020. However, local authorities may have to reissue your bill to exclude the business rate charge if bills have already gone out for 2020/21. We understand that they will do this as soon as possible.

You can estimate the business rate charge you will no longer have to pay this year using the business rates calculator.

Further guidance for local authorities is available in the nursery discount guidance.

Support for businesses that pay little or no business rates

The government will provide additional Small Business Grant Scheme funding for local authorities to support small businesses that already pay little or no business rates because of small business rate relief (SBBR), rural rate relief (RRR) and tapered relief. This will provide a one-off grant of £10,000 to eligible businesses to help meet their ongoing business costs.

Eligibility

You are eligible if:

- your business is based in England;
- you are a small business and already receive SBBR and/or RRR; and
- you are a business that occupies property.

How to access the scheme

You do not need to do anything. Your local authority will write to you if you are eligible for this grant.

Guidance for local authorities on the scheme is to be provided shortly, if it hasn't been already.

Any enquiries on eligibility for, or provision of, the reliefs and grants should be directed to the relevant local authority.

Support for larger firms through the COVID-19 Corporate Financing Facility

Under the new Covid-19 Corporate Financing Facility, the Bank of England will buy short term debt from larger companies. This will support your company if it has been affected by a short-term funding squeeze, and allow you to finance your short-term liabilities. It will also support corporate finance markets overall and ease the supply of credit to all firms.

Eligibility

All UK businesses are eligible.

How to access the scheme

The scheme will be available some time in the week beginning 23 March 2020.

The government will provide information on how to access the scheme shortly, and more information is available from the Bank of England.

By way of comment, this does seem to leave some larger companies without financial assistance through this crisis since not all of them will actually have “short term debt” instruments the Bank of England can buy, apart, perhaps from the Time to Pay service.

Support for businesses paying tax: Time to Pay service

All businesses and self-employed people in financial distress, and with outstanding tax liabilities, may be eligible to receive support with their tax affairs through HMRC’s Time To Pay service. These arrangements are agreed on a case-by-case basis and are tailored to individual circumstances and liabilities.

Eligibility

You are eligible if your business:

- pays tax to the UK government; and
- has outstanding tax liabilities.

How to access the scheme

If you have missed a tax payment or you might miss your next payment due to COVID-19, you should call HMRC’s dedicated helpline: 0800 0159 559.

If you’re worried about a future payment, you are advised to call HMRC nearer the time payment is actually due.

Insurance

Businesses that have cover for both pandemics and government-ordered closure should be covered, as 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 you are encouraged to check the terms and conditions of your specific policy and contact your broker/insurance company. Most businesses are unlikely to be covered, as standard business interruption insurance policies are dependent on damage to property and will probably exclude pandemics.

From all of us at the Craufurd Hale group

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