
The Coronavirus and its effects

This is the **sixth** in a series of briefing notes designed to help clients get support during the current crisis. *These notes are cumulative, so they include all that has gone before amended as appropriate and as new matters arise we think may be important.*

Where we have made substantive changes to these bulletins, or are seeking to clarify certain details, the text is highlighted in red.

As many of you will be aware of the support available and how to qualify for it, details of eligibility criteria and the like in some instances have been moved to appendices and we have endeavoured to provide more specific advice on how to get support, and how we can help, in the main body of this bulletin.

Where appropriate, we have included some hyperlinks to more information.

Necessarily, some matters in this note are incomplete and/or based on our interpretation of the information provided to date.

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.

You can read more about some of these matters on our website, www.craufurdhalegroup.co.uk/news.

Support for the self-employed

The online Coronavirus Self-employment Income Support Scheme (CSISS) is not available yet. In principle, you will be able to claim a grant worth 80% of your trading profits up to a maximum of £2,500 per month. As things stand, it will be available for three months but, HMRC say, may be extended.

This assistance will not be available until June so it will be necessary to apply for Universal Credit or a loan in the meantime if you are likely to suffer hardship. Councils have money to help with council tax bills.

If you receive the grant, you can continue to work or take on other employment, including voluntary work.

Note that the grant will be subject to tax and NI and must be included as part of your self-employment income, but will not have to be repaid.

You will need to have registered with gov.uk for access to HMRC's online system. So far as we know at the moment, we will not be able to claim under the CSISS for you, but will let you know if this changes.

Please see Appendix 1 for who qualifies for the CSISS and other assistance available to the self-employed.

Support for other individuals who pay tax by instalments

The government has also confirmed that taxpayers who usually have to make payments on account each January and July (such as those with significant rental, dividend or investment income), can defer paying the second instalment for 2019/20 due on 31 July 2020. The tax will become payable on 31 January 2021. You do not need to apply, it will be automatic.

We would remind clients that this means that a taxpayer will have to pay the second instalment for 2019/20 plus any balance of tax for that year plus the first instalment for 2020/21 (if relevant) on 31 January 2021, unless the government decides to allow some further deferment later.

Support for businesses who are paying sick pay to employees

Please see Appendix 2 for more details of the specific rules governing statutory sick pay for employees affected by the coronavirus.

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

Those employees who follow advice and stay at home and who cannot work as a result are eligible for statutory sick pay (SSP), even if they are not themselves sick. Employers should use their discretion and respect the medical need to self-isolate in making decisions about sick pay.

Anyone not eligible to receive sick pay, including those earning less than an average of £118 per week, some working in the gig economy, or the self-employed, is able to claim Universal Credit and/or contributory Employment and Support Allowance.

By law, medical evidence is not required for the first seven days of sickness. After seven days, employers must use their discretion around the need to medical evidence if an employee is staying home. Employees do not have to give you a doctor's fit note for you to claim SSP, if they are not working due to the coronavirus.

[ACAS](#) has more information online and can help with specific queries by phone.

The Coronavirus Statutory Sick Pay Rebate Scheme (CSSPRS) will repay employers the then current rate of SSP for periods of **sickness starting on or after 13 March 2020**. Currently, up

to two weeks' SSP due to the coronavirus, or where someone cannot work because they are self-isolating at home, can be reclaimed from HMRC. **The online service to make the claim is not yet available.**

Support for businesses through the Coronavirus Job Retention Scheme "CJRS"

Please see Appendix 3 for specifics about the CJRS previously mentioned.

The scheme is backdated to 1 March 2020 and will last initially for **FOUR** months, to the end of June. That is to say that, if you put an employee on furlough after 1 March but before the CJRS scheme was introduced, the claim can include furlough pay from when furlough started. It remains to be seen whether the scheme will be extended.

The online service through which employers will be able to claim under the Coronavirus Job Retention Scheme (CJRS) is expected to be available **from 20 April**. In order to use it, the employer must have:

- created and started a PAYE payroll scheme on or before **19 March 2020** (NOTE: this is a significant change of date from what was set out originally);
- enrolled for PAYE Online (which is not the same thing as paying PAYE by BACS); and
- have a UK bank account.

For the sake of clarity, you can only claim for furloughed employees who were on your PAYE payroll on or before 19 March 2020 and who were notified to HMRC on an RTI submission on or before that date. That is, an RTI submission must have been made in respect of that employee to HMRC on or before 19 March 2020. Employees who were employed as of 28 February 2020 and on payroll but who were made redundant or stopped working for you between 28 February and 19 March can also qualify for the scheme if you re-employ them and put them on furlough.

It remains the case that, when on furlough, an employee cannot work for, or on behalf of your organisation or any linked organisation.

To claim, you will need:

- your employer PAYE reference number;
- the number of employees being furloughed;
- NI numbers for the furloughed employees;
- names of the furloughed employees;
- optionally, the payroll/employee number for the furloughed employees;
- your Self Assessment Unique Taxpayer Reference (UTR) or Corporation Tax UTR or Company Registration number;
- the claim period (start and end date);
- your bank account number and sort code
- your contact name; and
- your phone number.

If you have not already [registered for PAYE Online](#) (but see below where we prepare your payroll) you should start the process immediately as HMRC will issue an authorisation code in the post and you will need that to activate your access to the system.

You will need to calculate the amount you are claiming. Do please remember therefore that:

- you will need to deduct the NI Secondary Threshold (£732 per month for 2020/21) before working out the 13.8% employer's NI you can claim under the scheme and that the potential maximum employer's NI reclaim is $(£2,500 - £732) \times 13.8\% = £243.98$ per employee per month (if furlough pay is at or exceeds £2,500; and
- you will need to deduct the NI Lower Earnings Limit (£520 per month for 2020/21) before working out the 3% employer's pension contribution you can claim.

The normal rules for maternity and other forms of parental leave and pay apply. You can claim through CJRS for enhanced (earnings related) contractual pay for employees who qualify for:

- maternity pay;
- adoption pay;
- paternity pay;
- shared parental pay.

HMRC will retain the right to audit all aspects of claims retrospectively. **It is not yet clear whether claims can be made as furlough progresses or if an employee's furlough period must have ended before a claim can be made for that person.**

Note:

- Where Craufurd Hale LLP prepares payroll for you, we will send out a spreadsheet requesting the details we need to record furlough pay properly; and
- where we are an agent who is authorised to act for you on PAYE purposes, we can make the claim on your behalf. We will send out a separate email to such clients with a note of the modest fees we intend to charge for this additional service. You will need to tell us which bank account you would like the grant to be paid into.
- If you wish to make the claim yourself, we can produce a report setting out the various details you need. Naturally, we can supply some of the above information (such as the UTR), if needed.

We understand that where fewer than 100 employees have been furloughed, you/we will be asked to list them individually when making the claim. The details required will be their name, national insurance number, claim period and claim amount.

Where more than 100 have been furloughed, a file with the information can be uploaded. The following file types will be acceptable: .xls .xlsx .csv .ods

HMRC cannot provide your employees with details of claims you/we make. HMRC have asked that you tell staff not to contact them in this regard, but to keep staff informed.

You must pay the employee all the grant you receive for their gross pay in the form of money. A credit to a director's loan account, for example, is not adequate.

Those who have previously paid salary annually or quarterly will have to be paid monthly for the duration of any furlough period. For more details of what this means in terms of gross pay, please see below under "*Personal Service Companies and the like*".

Payments made to a business under the CJRS offset wages, NI and pension costs and so must be included as income of the business and will be taxable. Please ensure it is identified properly in your accounting records.

Individuals with employees who are not employed as part of a business (for example, nannies or other domestic staff) are not taxable on CJRS grants, though the staff's pay is subject to tax, NI and pension as normal.

An employee who has been off sick can be furloughed once their sick period has ended. Furloughed employees retain their statutory rights, including their right to Statutory Sick Pay. If a furloughed employee becomes ill, they must be paid at least Statutory Sick Pay. It is up to employers to decide whether to move these employees into Statutory Sick Pay or to keep them on furlough, at their furloughed rate. If a furloughed employee who becomes sick is move into SSP, employers can no longer claim for the furloughed salary. Employers are required to pay SSP themselves, although may qualify for a rebate for up to 2 weeks of SSP.

Apprentices can be furloughed, as can salaried members of Limited Liability Partnerships, agency workers and limb(b) workers. To furlough a member, the terms of the LLP agreement may need to be varied by a formal decision of the LLP.

Individuals can furlough employees such as nannies provided they pay/have paid them through PAYE and sent an RTI submission notifying payment in respect of the employee on or before 19 March 2020.

Any furlough period must be for at least three consecutive weeks, but it is possible to furlough staff multiple times, provided each furlough period is for a minimum of three consecutive weeks.

The CJRS is NOT intended for short-term absences from work due to sickness. You can claim back from both the CJRS and the SSP rebate scheme for the same employee **but NOT for the same period of time.**

If an employee started unpaid leave before 28 February 2020, you can put them on furlough instead. If you put them on furlough you must pay them at least 80% of their regular wages, up to a monthly cap of £2,500.

Pensions generally

On the pensions front, furloughed employees (**and their employers**) would still be liable to pay pension contributions on **pay** salary whilst furloughed. It occurs to us that more than a few may decide to cease being an active member of their employer's scheme, to save money. Firstly, it is vital that such employees do this via the normal route – that is, by contacting the pension company itself and notifying them, NOT by asking the employer to stop deducting

contributions, **and secondly, employer must never encourage staff to opt out or cease active membership, as that's an offence.**

Please bear in mind that ceasing active membership in this way does NOT entitle the employee or the employer to a refund of contributions previously paid in.

Personal Service Companies and the like

Those operating through Personal Service Companies and “one-man” companies **can still be furloughed. You are advised that the company must pass a written resolution placing its director(s) on furlough and there must be a formal letter from the company addressed to the director confirming they are furloughed and from when.**

The salary used as the basis for a grant will be whatever rate was in force in February 2020, divided by 12 if paid through PAYE annually (or three if processed quarterly). You cannot backdate changes to pay and dividends.

Remuneration under an employment contract or service agreement entered into before 29 February 2020, and where paid through a PAYE scheme in force before that date, should be covered but not bonuses, commission, earn-outs and the like.

So, our primary word of caution expressed in the previous bulletin was valid but needed to be stated more directly: increasing a director's basic salary retrospectively **will not work**. If it is eligible, the company will only be eligible for the grant on the basis of historic salary figures. Even a salary of, say, £8,000 a year is a regular remuneration, though. The equivalent monthly figure is £666 and 80% of that is £532.80. Employer's NI and pension contributions are not relevant at that level.

Treatment of grants

Since the grants are to cover wages, NI and pension contributions paid out, they **will be** taxable, other than for charities **and individuals employing domestic staff under PAYE other than as part of a business. Where appropriate, you** should ensure that any such grants are separately identified as such in **your** accounting records, when the time comes. We are checking how such grants to charities must be recorded as they are not “charitable grants”.

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

The Coronavirus Business Interruption Loan Scheme (CBILS), delivered by the British Business Bank, **is available** to support small and medium-sized businesses to access bank lending, overdrafts and asset finance.

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 and for up to six years.

The government will also make a Business Interruption Payment to cover the first 12 months of interest payments and any lender-levied fees, so smaller businesses will benefit from no upfront costs and lower initial repayments.

It should be noted that you (if borrowing personally) or your business remain fully liable to repay any borrowing to the lending institution. The CBILS only guarantees 80% of any loan to the lender, not the borrower. It remains to be seen whether people have to be declared bankrupt or companies go into liquidation before the lenders can claim under the CBILS guarantee.

The government has improved the scheme somewhat, by not allowing lenders to take personal guarantees for the 20% of any loans made, provided the loan is under £250,000.

Please see Appendix 4 for details of eligibility, etc.

Support for businesses through deferring payment of VAT

HMRC will support businesses by deferring Valued Added Tax (VAT) payments that would have fallen due between 20 March 2020 until 30 June 2020. The tax can be paid any time on or before 31 March 2021. *Although payment of VAT has been deferred, VAT traders are reminded that they must still submit their VAT returns in time or they may face penalties.*

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.

As there is a possibility that HMRC's system will seek to collect the VAT payable, you are advised to cancel any Direct Debit for VAT immediately.

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 has introduced 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 as 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.

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 has introduced 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 has provided 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.

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

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

Under the CCFF, 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. The CCFF is due to last at least 12 months.

Eligibility

All larger UK businesses which meet the [Bank of England's eligibility criteria](#) are eligible.

How to access the scheme

If this is relevant to you, please click on the link above.

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.

Other matters

The following additional matters have been implemented, to help alleviate potential problems:

- Private companies can apply for a three-month extension to their filing deadline for annual accounts. Note that:
 - this application must be made before the ordinary filing deadline expires;
 - the application is made by filing the appropriate form, usually electronically;
 - we will not automatically apply for this extension but will do so if instructed by you.
- Your car, van or motorcycle's MOT expiry date will have been extended automatically by 6 months if it fell due on or after 30 March 2020 - but you must keep your vehicle safe to drive.
- Your lorry, bus or trailer will be exempt from needing an MOT for 3 months from 21 March 2020. [You might need to apply for this, depending on your vehicle.](#)
- For the relaxations on drivers' hours, please [follow this link](#).

- Clients may need to seek legal advice in handling employee negotiations, if they have supply chain issues or if they need to agree rent holidays and the like with landlords. Many solicitors are including Coronavirus help sheets on their websites.

From all of us at the Craufurd Hale group

17/04/20

APPENDIX 1: SUPPORT FOR THE SELF-EMPLOYED

You can claim under the CSISS if you're self-employed or a member of a partnership (including an LLP) and you:

- have submitted your 2018/19 Self Assessment tax return;
- traded in the tax year 2019/20;
- are trading when you apply, or would be except for the coronavirus;
- intend to continue to trade in 2020/21; and
- have lost trading profits due to coronavirus.

You will need to confirm to HMRC that your business has been adversely affected by coronavirus. HMRC say they will take a risk-based approach to compliance.

Your trading profits must also be no more than £50,000 annually and more than half your total income for either:

- the tax year 2018/19 (that is, the accounting year ending between 6/4/18 and 5/4/19; or
- the average of the tax years 2016/17, 2017/18 and 2018/19.

You have until 23 April 2020 to file your Self Assessment tax return for 2018/19, if you have not already done so.

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. However, if you can still afford to pay the July instalment, you should do so.

We understand that this relief is automatic, and no claim is required. HMRC have now advised that you should cancel a Direct Debit if you are unlikely to be able to pay as their system may still seek to collect the tax.

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.

APPENDIX 2: STATUTORY SICK PAY

HM Government has introduced 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 are as follows:

- employers had fewer than 250 employees on 28 February 2020;
- employers are claiming for an employee who's eligible for sick pay (see the main text);
and
- had a PAYE scheme created and started on or before 28 February 2020,

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.

APPENDIX 3: THE CORONAVIRUS JOB RETENTION SCHEME

The CJRS is intended to encourage employers to continue to employ and pay staff.

Eligibility

All UK businesses are eligible.

How to access the scheme

You must:

- designate affected employees as ‘furloughed workers’, and notify your employees of this change – note that, changing the status of employees remains subject to existing employment law and, depending on the employment contract, both the change of status and any proposed reduction of salary 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 reimburse the lower of:

- 80% of each furloughed worker’s wage costs; and
- £2,500 per month per furloughed worker; plus
- the relevant proportions of employer’s NI and minimum auto-enrolment pension contributions (currently 13.8% and 3% of “band earnings” respectively).

The base figure for the claim will be an employee’s basic salary in February 2020. Bonuses, commission and the like are excluded. An average will need to be worked out for hourly paid staff and those on zero hours contracts.

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, and this must be properly documented.

In principle, in the absence of any other agreement, therefore, employers would continue to pay the other 20% of a furloughed worker’s wages plus any employer’s NI and pension contribution on wages above the amount which can be reimbursed. Employers will need to continue paying furloughed employees and then claim back the grant later, so a business interruption scheme loan may be necessary to cover any cash shortfall.

Pensions

Please note that all employers must still comply with the pension regulations and so reporting contributions to the pension company must continue to be done on time, or the employer faces fines. And since employees’ contributions have been deducted from their wages, the employer must pay them over. An employer may be able to agree with the pension company some sort of time to pay arrangement. Where we provide payroll bureau and auto enrolment services to employers, we will continue to upload the monthly files at the proper time. We will not accept responsibility for any penalties that might arise if we are instructed not to upload any such files.

APPENDIX 4: THE CORONAVIRUS BUSINESS INTERRUPTION LOAN SCHEME (CBILS)

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.

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.

You will need to be able to demonstrate the business's ongoing viability.