
The Coronavirus and its effects

This is the latest in a series of briefing notes designed to help clients get support as a result of the ongoing Coronavirus. It reflects our understanding of the help available from November 2020.

Where appropriate, we have included hyperlinks to more information.

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

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 Coronavirus *Self-employment Income Support Scheme* (SEISS) now has a *Grant Extension*.

Details of the help available

It will be in the form of two grants, each available for three-month periods covering November 2020 to January 2021 and February 2021 to April 2021. Grants will be paid in two lump sum instalments. You must apply online.

For the first period, the government will provide a taxable grant up to 55% of average monthly trading profits, capped at £5,160. WE assume that the cap will be the same for the second period.

Where, previously, the government would have made a grant of 40% of profits for November, this will now be 80% for that month, which, together with 40% for the following two months, brings the total for the period to, they say, 55% per month on average. We work this out to be an average of 53.33% per month and it remains to be seen how the (small) difference will be made up, if at all.

Eligibility

To be eligible you must:

- be self-employed (either as a sole trader or a partner on a partnership or a non-salaries member of an LLP);
- have been eligible previously for the Self-Employment Support Scheme first and second grants (see below);
- declare that you intend to continue to trade and either:

- are currently actively trading but are impacted by or suffer reduced demand due to coronavirus; or
- were previously trading but are temporarily unable to do so due to coronavirus.

Although you must have been eligible to claim under the previous SEISS scheme (for grants one and two), you do not have to have actually made a claim.

You would have been eligible under the SEISS if you were self-employed or a member of a partnership (including an LLP) and you:

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

Your trading profits must have been 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
- as an average of the tax years 2016/17, 2017/18 and 2018/19.

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

Note that the grants 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.

If you are not eligible for the above, you may still be entitled to apply for Universal Credit or, if you have a disability or health condition which affects how much you can work, the New Style Employment and Support Allowance.

Support for individuals who pay tax by instalments

At present, it still appears to be the case that tax payable on 31 July 2020 which you deferred until 31 January 2021 must be paid in January 2021, except for the help below.

Time to Pay

However, you may be able to set up a *Time to Pay* instalment arrangement with HMRC.

If you owe up to £30,000 (that is, the total of:

- the deferred July 2020 payment (if it remains unpaid) *plus*
- any 2019/20 balancing charge *plus*

- your first 2020/21 payment on account)

you can apply online for an instalment plan.

If you owe more than £30,000, you should contact HMRC direct to discuss any potential plan.

Why enter into a plan?

Please note that *late payment penalties* (as opposed to interest) are charged when tax remains unpaid 30 days, 6 months and 12 months after it's due *unless* you enter into a Time to Pay arrangement *before* it becomes due *and* you subsequently pay all the tax owing under that arrangement on time. *Interest*, though, is payable on Time to Pay arrangements.

If you would normally have paid your tax by Direct Debit and chose to defer your July 2020 payment on account, you should have cancelled your Direct Debit through your bank. You can reinstate that Direct Debit if you want to resume making payments on account this way in future (i.e. return to normal payment dates rather than use a Time to Pay arrangement).

Depending on the amounts involved, you may be able to ask HMRC to collect unpaid tax through your PAYE tax coding.

If you already have a Time to Pay arrangement in place for other overdue tax, you should contact HMRC to amend that arrangement to include your deferred July 2020 Payment on Account and any other Self-Assessment payments falling due on 31 January 2021.

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

Extension of the CJRS

The CJRS was due to end on 31 October 2020, but it will now be extended. The government will pay 80% of wages for the hours furloughed workers do *not* work, up to a cap of £2,500 per month for periods from 1 November 2020.

Unlike the previous CJRS scheme, however, employers will need to pay all the employer National Insurance Contributions (NICs) and employer pension contributions. Employers can choose to top up their furloughed employees' wages beyond the 80% paid by the government but are not required to do so.

This means that there is flexibility to ask employees to work on a part-time basis and furlough them for the rest of their usual working hours, or to furlough them full-time. Naturally, employers must cover the wages, employer NICs and employer pension contributions for hours worked.

Conditions

Employers can claim for employees who were on the payroll on 30 October 2020. A PAYE Real Time Information (RTI) submission must have been made between 20 March and 30 October 2020, notifying a payment of earnings for any employee for whom a claim is made from 1 November.

Employees who were on a payroll on 23 September 2020 and who were made redundant or stopped working for you afterwards, can qualify if you re-employ them.

Importantly, neither the employer nor the employee needs to have previously used the CJRS.

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.

Naturally, HMRC will retain the right to audit all aspects of claims retrospectively.

Notes:

Where Craufurd Hale LLP prepares payroll for you:

- we can continue to 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 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 from the payroll software setting out the various details you need. Naturally, we can supply some of the above information (such as the UTR), if needed.

In principle, many of the procedures which applied to the previous version of CJRS will continue to apply. For example, 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.

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 they receive, though the employee's pay is subject to tax, NI and pension as normal. Individuals can furlough people they employ (such as nannies, cleaners, etc) *provided* they have been paid through PAYE and you have sent an RTI submission notifying payment in respect of the employee (using the same conditions as above).

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 moved 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 (as set out above).

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

Pensions generally

On the pensions front, furloughed employees (and their employers) would still be liable to pay pension contributions on pay whilst furloughed, if their pay exceeds any lower band limit. Some active members may decide to cease being an active member of their employer's scheme, to save money. If this does arise, please bear in mind that such employees must 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. Also, an employer must never encourage staff to opt out or cease active membership of a pension scheme, as that's an offence.

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

Personal Service Companies and the like

We understand that 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, from when and on what basis (i.e. full or part-time).

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

We would expect that, as before, remuneration under an employment contract or service agreement entered into before 30 October 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.

Our primary word of caution, then, continues to be that 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.

If your business needs short term cash flow support, you may be eligible for a [Coronavirus Business Interruption Loan](#) or a [Bounce Back Loan](#).

Support for businesses who are paying sick pay to employees

Note: Much of what follows was first introduced during the first lockdown and was later clarified as questions arose. In terms of what can be reclaimed, it is assumed that these rules still apply.

Employers must pay an employee SSP if they are self-isolating and off work for at least 4 days and *any* of the following apply:

- They or someone they live with has coronavirus symptoms or has tested positive for coronavirus;
- They have been notified by the NHS or public health authorities that they have been in contact with someone with coronavirus;
- Someone in their "support bubble" has symptoms or has tested positive for coronavirus; or
- They've been advised by a doctor or healthcare professional to self-isolate before going into hospital for surgery.

SSP must also be paid if the employee lives or works in an area with local restrictions in place (when they return), including advice to "shield" AND they have been advised to shield because they are at very high risk of severe illness from coronavirus.

This [page](#) at hmrc.gov.uk shows the dates from which SSP should have been paid, if the conditions existed.

Reclaiming SSP

Employers can reclaim up to 2 weeks' SSP up to £95.85 a week for each relevant employee.

The Coronavirus Business Interruption Loan Scheme

The Coronavirus Business Interruption Loan Scheme (CBILS) is open until 31 January 2021. It is delivered by the British Business Bank and remains 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 the lender 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. We presume that a person may have to be declared bankrupt or at least enter an IVA or a company go into liquidation (or uses a CVA) before the lenders can claim under the CBILS guarantee.

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

Eligibility

You are eligible for the scheme if:

- your business is UK based; and
- has an annual turnover of no more than £45 million per year.

You will need to demonstrate that the business:

- would be viable were it not for the pandemic; and
- has been adversely affected by the coronavirus.

If you want to borrow £30,000 or more, you will also need to confirm that your business was not classified as a [business in difficulty](#) on 31 December 2019.

Bounce Back Loan Scheme (BBLs)

The BBLs scheme helps small and medium-sized businesses to borrow between £2,000 and up to 25% of their turnover. The maximum loan available is £50,000.

The government guarantees 100% of the loan and there won't be any fees or interest to pay for the first 12 months. After 12 months the interest rate will be 2.5% a year.

The scheme is open to applications until 31 January 2021.

If you need a larger loan, you may be entitled to other government support.

Eligibility

You can apply for a loan if your business:

- is based in the UK;
- was established before 1 March 2020; and
- has been adversely impacted by the coronavirus

If your business was classed as a business in difficulty on 31 December 2019 you'll need to confirm that you're complying with additional state aid restrictions.

Who cannot apply?

Businesses from any sector can apply, except:

- banks, insurers and reinsurers (but not insurance brokers)
- public-sector bodies
- state-funded primary and secondary schools

If you're already claiming funding:

You cannot apply under BLS if you are already claiming under:

- Coronavirus Business Interruption Loan Scheme (CBILS)
- Coronavirus Large Business Interruption Loan Scheme (CLBILS)
- COVID-19 Corporate Financing Facility

If you've already received a loan of up to £50,000 under one of these schemes you can transfer it into the Bounce Back Loan scheme. You have until 4 November 2020 to arrange this with your lender.

Job Retention Bonus

You cannot now claim the Job Retention Bonus until 15 February 2021. We expect guidance on this will be updated by the end of January 2021, along with how to access the online claim service on GOV.UK.

The Job Retention Bonus will be a £1,000 one-off taxable payment to the employer, for each eligible employee that you furloughed and kept continuously employed until 31 January 2021.

We understand that, as things stand, you will be able to claim the bonus between 15 February 2021 and 31 March 2021. You will not have to pay this money to your employee.

Who can claim?

You will be able to claim the bonus if you are an employer who has furloughed employees and made an eligible claim for them through the CJRS. Your employee must have been eligible for the CJRS grant for you to be eligible for the bonus.

You can still claim the bonus if you make a claim for that employee through the Job Support Scheme. We understand that guidance on the Job Support Scheme will be published soon.

Support for businesses through deferring payment of VAT

The Chancellor announced that business who deferred VAT due from 20 March 2020 to 30 June 2020 will now have the option to pay in smaller payments over a longer period. Instead of paying the full amount by March 2021, traders can make smaller payments up to the end of March 2022, interest free. Traders will need to opt in to the scheme.

If you are still unable to pay the VAT due and need more time, you must contact HMRC on 0300 200 3835.

If you cancelled your Direct Debit to take advantage of the deferral, you will need to set up a new one. Indeed, you should have done this already.

Other support

Arrangements are already in place for businesses in the retail, hospitality and leisure arenas, and for nurseries which pay business rates. We have not identified any new reliefs for such businesses.

An announcement is expected shortly about grants available from local authorities where businesses actually have to close temporarily (but for at least 3 weeks) because of the lockdown. There are already [grants available if you have had to close down](#) because you are in a local lockdown area. The grants range from £1,000 to £3,000 and there are discretionary grants of up to £1,500. Quite how these will be extended in full lockdown will be the subject of the announcement to be made shortly.

From all of us at the Craufurd Hale group

3 November 2020