

## COVID-19 SUPPORT

There has been many announcements over the past few weeks and more detail is being released every day as this fast-paced situation develops.

The main topics are:

- Job Retention Scheme
- Deferring tax payments
- Self-employment Income Support Scheme
- Rates holidays
- Sector Specific Grants
- Support for businesses that pay little or no business rates
- Coronavirus Business Interruption Loan Scheme
- Sick Pay
- Commercial insurance
- Protection from eviction for commercial tenants
- Insolvency relaxation
- Mortgage Holidays

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### Job Retention Scheme

The government will cover the lower of 80% of a furloughed employee's salary and £2,500 per month, plus the associated employer's national insurance and employer's pension contributions. This will be backdated to 1 March to take into account anyone previously made redundant and brought back as furloughed.

The scheme is available to full and part-time employees, employees on agency contracts and employees on flexible or zero-hour contracts but not employees currently on sick leave or self-isolating until their period of sickness or isolation ends. The employee must have been on the payroll as at 28 February 2020.

Furloughed employees are employees under leave of absence and once an employee has been furloughed they cannot carry out any work for the employer whatsoever but they can take part in volunteer work or training, as long as they do not provide services to or generate revenue for or on behalf of their employer.

The government guidance is at <https://www.gov.uk/guidance/claim-for-wage-costs-through-the-coronavirus-job-retention-scheme> or at <https://mooreks.co.uk/insights/coronavirus-job-retention-scheme-the-details-of-the-scheme/>

Furloughing is an employment status and so the HR implications need exploring.

The grant scheme will be run through a HMRC portal yet to be launched. Once launched, the details of the furloughed employees must be submitted online via this portal – this is expected to be possible from the end of April but expect delay.

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### Deferring tax payments

Initially, this was the most important way for businesses to manage its cash flow and remains a significant cash saving. There is a dedicated Coronavirus helpline to help businesses suffering cash flow difficulties to agree a payment plan of their current tax liabilities. After a huge uptake the Chancellor has announced a complete VAT holiday to initially run to 30 June, i.e. you will not need to pay any VAT falling due by June 2020 until 5 April 2021.

You can agree a bespoke time-to-pay arrangement to defer payment of PAYE, historic VAT or Corporation Tax. I suggest you seek a few months payment holiday and then repayment terms, better the money in your pocket than the government's. HMRC may also waive late payment penalties and interest where a business experiences administrative difficulties contacting HMRC or paying taxes due to Coronavirus.

The HMRC helpline number is 0800 0159 559 and opening hours are Monday to Friday 8am to 8pm, and Saturday 8am to 4pm. It is not available on bank holidays. HMRC has deployed 2,000 people to work in this call centre but delays should be expected with some clients experiencing a 20 – 40 minute wait.

Ideally avoid calling in the middle of the day when demand for this service is expected to peak.

From a personal tax point of view the Government have announced that the self-assessment 2019/20 second tax payment on account that would usually be due by 31 July 2020 will be automatically deferred until 31 January 2021 for all income tax payers within self-assessment. There will be no interest or penalty charged if you defer payment, as long as payment of the balance of your 2019/20 tax liability is made by 31 January 2021. If payment is not made by that date, backdated late payment interest and penalties may be charged by HMRC.

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### **Self-employment Income Support Scheme**

This is a taxable grant available to the self-employed in a similar vein to the Job Retention Scheme. To qualify for the scheme, a self-employed individual must satisfy the following conditions:

- The individual must be self-employed or a partner in a partnership
- The individual must have a trading profit of less than £50,000 in 2018-19 or an average trading profit of less than £50,000 from 2016-17, 2017-18 and 2018-19
- They must have filed a 2018/19 tax return declaring their self-employment income with four weeks from the scheme being announced
- If they have other sources of income, their self-employed income must represent at least 50% of their total income

If the qualifying conditions are met:

- The scheme will pay self-employed individuals a taxable grant equal to 80% of average profits over the last 3 years but capped at £2,500 per month
- The grants will be made for 3 months to 31 May 2020 (i.e. backdated to 1 March 2020) but will be extended if needed
- The self-employed individuals can continue to carry on in business (i.e. there is no requirement for them to “furlough” themselves)
- The grants will be paid as a lump sum for the three months directly to the bank accounts of the individuals (rather than being offset against tax liabilities owing to HMRC) at the beginning of June 2020.

It has been widely recognised that the affairs of the self-employed are not as simple as the employed and so there is still some ambiguity how this will apply on a case-by-case basis.

HMRC will contact you if you are eligible for the scheme and invite you to apply online.

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### **Rates holidays**

There is a business rates holiday for retail, hospitality, leisure and nursery businesses in England for the 2020 to 2021 tax year. This is being managed by the local council and you may have to reissue your bill to provide this support.

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

- as shops, restaurants, cafes, drinking establishments, cinemas, estate agents, lettings agencies, bingo halls and live music venues
- for assembly and leisure
- for hospitality, as hotels, guest & boarding premises or self-catering accommodation
- occupied by providers on Ofsted’s Early Years Register
- wholly or mainly used for the provision of the Early Years Foundation Stage

More information on eligibility is set out at <https://www.gov.uk/government/publications/business-rates-retail-discount-guidance>

Example of qualifying businesses include:

Hair and beauty shops, , Travel agents, Dry cleaners, Photo processing, Car hire, Employment agencies, Estate agents and letting agents, Betting shops, Restaurants, Takeaways, Sandwich shops, Coffee shops, Pubs, Bars, Sports grounds and clubs, Sport and leisure facilities, Theatres , Gyms, bingo halls, Hotels, Guest and Boarding Houses, Holiday homes, Caravan parks and sites, Shops (such as: florists, bakers, butchers, grocers, jewellers, stationers, off licences, chemists, newsagents, hardware stores, supermarkets, etc), Charity shops, Opticians, Post offices, Furnishing shops/ display rooms, Second-hand car lots, Markets, Petrol stations and Garden centres.

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### **Sector Specific Grants**

For businesses in the retail, leisure and hospitality sectors operating from premises with a rateable value of between £15,000 and £51,000, there is a grant payable of £25,000. Like many of this support it is being managed by the local authorities. We assume this will be applied to businesses using the same definitions as the rates holiday

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### **Support for businesses that pay little or no business rates**

If your business is eligible for Small Business Rates Relief from your business' council tax bill, either leading your business to pay discounted or no business rates on your business premises, then your business will receive a grant of £10,000.

If you qualify, you will be contacted by your local authority – you do not need to apply. It is not clear if this will be a credit on your account with the council or via a cash grant. Guidance for local authorities on the scheme will be provided shortly.

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### **Coronavirus Business Interruption Loan Scheme**

The initial big headline announcement was around the Coronavirus Business Interruption Loan Scheme, where the Government will guarantee 80% of a business bank loan. This is being operated by the banks (through the British Business Bank) and is still a bank loan and will take time to process and so not as timely a solution as we would hope.

There are no arrangement fees on the borrower and is interest free for the first 12 months. Some banks are also offering 12 month repayment holidays, but the maximum term is 6 years and so repayments are potentially large. You will have read much about banks requiring personal guarantees, but loans up to £250k do not require any security under the scheme.

Banks are still applying normal lending criteria and applicants must be a viable business that would have been able to support a debt facility prior to the crisis and return to being a viable business in the future.

The facility amount being applied banks will not exceed:

- Twice the annual wage bill of the company (including social charges as well as the cost of personnel working on the undertakings site but formally in the payroll of subcontractors) for 2019, or for the last year available. In the case of undertakings created on or after 1 January 2019, the maximum loan must not exceed the estimated annual wage bill for the first two years in operation; or
  - 25% of total turnover of the company in 2019; or
  - The liquidity requirement of the company for 18 months
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### **Sick Pay**

Employees are able to obtain Statutory Sick Pay for day 1 of self-isolation rather than from day 4 and fit notes are now available via the NHS 111 website.

SME employer (those with less than 250 employees) will be able to claim back the SSP costs from HMRC (£94.25 per week). The system for claiming this back is not yet in place via the payroll software providers.

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### **Commercial insurance**

Does your business have business interruption insurance? If so I would speak to your broker/provider about whether you can claim and whether being open or closed makes a difference on being able to claim. Coronavirus has been treated as a notifiable event for insurance purposes. Insurance companies are likely to say they won't pay but you should pursue this as your policy may cover it.

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### **Protection from eviction for commercial tenants**

To help commercial tenants, if they cannot pay their rent because of COVID-19 they will be protected from eviction up to 30 June.

This is not a rental holiday and if you are struggling to pay your rent I suggest approaching your landlord for a rental holiday where possible.

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### **Insolvency**

Under the plans announced on the weekend, the UK's Insolvency Framework will add new restructuring tools including:

- a moratorium for companies giving them breathing space for from creditors enforcing their debts for a period of time whilst they seek a rescue or restructure;
- protection of their supplies to enable them to continue trading during the moratorium; and;
- a new restructuring plan, binding creditors to that plan

The proposals will include key safeguards for creditors and suppliers to ensure they are paid while a solution is sought.

The government will suspend the wrongful trading provisions to give company directors greater confidence to use their best endeavours to continue to trade during this pandemic emergency, without the threat of personal liability should the company ultimately fall into insolvency.

Existing laws for fraudulent trading and the threat of director disqualification will continue to act as an effective deterrent against director misconduct

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### **Mortgage Holidays**

The Government has also announced 3 month mortgage holidays available to individuals struggling due to the outbreak, though we are still waiting to see how this will work in practice.

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More details can be found on the Government website:

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

Or at our Coronavirus Hub

<https://mooreks.co.uk/coronavirusandbusinesscontinuity/>