



## **CORONAVIRUS SURVIVAL PLANNING**

### **WHAT SHOULD I DO NOW?**

#### **Introduction**

This document sets out the help available to SMEs and their owners as at 24 March 2020. It includes areas in which Government guidance has not yet been finalised and will be updated as soon as we know more.

It seeks to answer the questions we have been asked most often since the crisis broke.

**STOP PRESS: THIS NEXT SECTION WAS ADDED ON 26 MARCH FOLLOWING THE ANOUNCEMENT OF HELP FOR THE SELF-EMPLOYED**

#### **Help for the self-employed**

##### ***The scheme***

The scheme will pay 80% of the average profits over the past three years, as disclosed on those tax returns. It is subject to a cap of £2,500 per month. The limitations are:

1. You must have been a sole trader or a partner at some time before 5 April 2019.
2. More than 50% of your profits must have come from trading.
3. You must have filed a self-employed Tax Return for 2019, or file it within 4 weeks.
4. Your profits must not have exceeded £50,000.
5. You must have traded during 2019/20 and intend to continue trading into 2020/21.
6. Payment will be made in one lump sum, starting in early-June

##### ***Who doesn't qualify?***

Sadly, there will be many who don't qualify:

- Those who started self-employment after 5 April 2019 do not qualify.
- Traders who have ceased self-employment since 5 April 2019
- Anyone who hasn't filed a 2019 Return by 23 April 2020
- Company directors and those who receive their income under PAYE are not included

### ***How much will I get?***

HMRC will calculate your entitlement. At most, you'll receive 3 months at £2,500 or £7,500.

This is equivalent to average profits of £37,500 over the past 3 years. If you were less profitable, you'll get less. An average profit of £20,000 will give you just £4,000.

It is taxable and will need to be reported on your 2021 Tax Return (and remember HMRC know exactly how much you received!)

### ***What should I do now?***

Official guidance is to do nothing. HMRC will contact those eligible and invite them to apply "once the scheme is operational". First payments are expected in early June, and in the meantime, those who are struggling need to utilise the support already available (Universal Credit, CBILS etc.)

If you'd like to know how much you'll receive, and/or some help with bridging the gap until it arrives, get in touch.

## **80% salary funding**

### ***1. What do I have to do to claim it?***

1. Write to the staff you want to place on furlough. Remember that employment law still applies so you may have to negotiate the position.
2. Note the details of each employee who is put on furlough. Include name, date of Birth, NI number and salary level. Separately list any bonuses or overtime paid. We would suggest looking at the last three months, but Government guidance may impose a different approach. Include also the bank account into which you would like the funding paid.
3. Decide whether to top up their earnings from the 80% Government funded level.
4. Apply through HMRC's portal, once it is open.
5. Continue to pay the salaries at the level you decide until the furlough is ended.

### ***2. I am a company director; can I be included?***

We await further detail on this. I am expecting the Chancellor to make some announcement this week, as part of the package of support hopefully to be offered to the self-employed.

Remember, that although directors are employees, and paid through PAYE, they are treated differently for NMW purposes. They have a different "earnings period" for NIC purposes. Furthermore, the working time directive and auto-enrolment rules do not apply.

So, directors already have a "special" status for some PAYE purposes which would allow Government to distinguish them from other employees.

ICAEW guidance states that only PAYE earnings (plus oncosts such as pensions and employer NIC) will count towards the funding; dividends are not taken into account.

See <https://www.icaew.com/insights/viewpoints-on-the-news/2020/mar-2020/coronavirus-job-retention-scheme-furlough-guidance> for more details.

## **2. When will I receive the funding?**

The latest information we have is that the portal will be ready by the end of April. We expect (cynically?) that the website will crash when it opens, so we anticipate the first payments will reach the bank account in mid to late-May.

## **Statutory Sick Pay Funding**

***I have staff who need to self-isolate, and have heard that I can reclaim the SSP I pay, how do I do that?***

There is no guidance on how this is to be done at present. All we can advise is that the announcement has been made, and we imagine HMRC will take a lenient view if you deduct the SSP you are allowed to reclaim, from any payments of PAYE/NIC that fall due.

### ***What are the regulations?***

See <https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/guidance-for-employers-and-businesses-on-coronavirus-covid-19> for full details.

## **National Non-Domestic Rates (“NNDR”) Relief**

Also known as business rates, this is perhaps one of the most valuable items of support if you can get it.

Any business that currently gets Small Business Rates Relief (“SBRR”), or Rural Rates Relief will automatically receive a grant of £10,000. At present, there is no suggestion that this will be means-tested and no application will be required.

If you are in the retail, hospitality or leisure sectors, and your rateable value is between £15,000 and £51,000, the grant is £25,000.

In addition, all businesses in those sectors will be exempt from rates for the fiscal year 2020/21 (i.e they’ll pay no rates until 6 April 2021).

### **1. That sounds amazing, what do I have to do to claim it?**

Nothing. Revised rates bills will be issued by your local council, and apparently, they will be distributing the grants direct to businesses that qualify. STOP PRESS. I HAVE JUST BEEN ADVISED THAT YOU WILL NEED TO PROVIDE YOUR BANK DETAILS VIA A DOWNLOADABLE FORM IF YOU WANT THE FUNDING AS EARLY AS POSSIBLE.

### **2. I’m not sure if I qualify, how can I check?**

Get a copy of your latest business rates bill. This will tell you the rateable value of your property. It may also describe the property in enough detail to identify your sector.

If you are still unsure, contact your local council. It is usually best to do this online as all telephone helplines are understandably very busy at this time.

**3. *I work from home, can I claim?***

It is unlikely that an office at home will have to be registered for business rates. However, if you have a separately identified part of your property that would qualify, it is worth calling your local council to discuss it.

REMEMBER THOUGH, THIS MAY HAVE IMPLICATIONS FORT YOUR MORTGAGE AND FUTURE TAX LIABILITES ON AN EVENTUAL SALE.

**4. *I occupy a business premises, but have never registered for NDR, can I do so now?***

Absolutely. In fact, if you are certain that the rateable value will be less than £15,000, you should probably have registered well before now. I know of one client who took just two hours to complete the process.

**5. *Is it worthwhile getting a business premises?***

It might well be worthwhile, but you'll have to weigh the additional costs of insurance and rent.

## **VAT and Self-Assessment Tax Deferment**

HMRC will defer collection of all VAT liabilities falling due between 20 March and 20 June 2020. Anything deferred must be paid by the end of the fiscal year (5 April 2021).

Self-Assessment tax payments due on or before 31 July 2020 will be deferred until 31 January 2021.

**1. *So this is a loan, not a grant?***

Correct. The amounts deferred will have to be paid over eventually, subject to further relaxations if announced.

**2. *My business income is much lower this year, is it worth de-registering from VAT?***

The usual factors will determine the answer to this. Are your customers able to reclaim the VAT you charge? Do you regularly receive VAT refunds because your sales are zero-rated? Can you cut your prices by less than the VAT you add on top, and thus increase your profit margin?

## Cost control

Take time to look at your costs. Many businesses including my own spend cash on “desirables” rather than necessities. Take a good look at your costs and ask yourself, “is it absolutely essential that I spend this money now?” Could it be deferred or even cancelled?

Some pointers here

**Rent** - apparently the protection for tenants who miss their rent payment for three months extends to commercial leases as well as residential lets.

**Software** - very often the biggest cost after salaries and rent/rates. Are there any subscriptions which just aren't being used right now? It may only be £100 per month, but the savings will soon add up. Do you have any overlaps or duplicates?

### ***Domestic expenditure***

Look at your domestic expenditure and see if you can cut the need for drawings/dividends

Take advantage of the reliefs already announced.

Consider:

- Mortgage/rent
- Utilities bills
- Payment holidays on loans and credit cards

## Conclusion

The situation is changing rapidly, and new information is being released almost daily. We'll update this guidance as soon as we can, but if there's anything else you'd like to add, or you become aware of that others' need to know, we'll add to it (with appropriate credit if you're happy with that!)

Remember, we are all in it together. And together we can recover.

**Steve Carey**

**25 March 2020**

**(Updated 26 March 2020)**