

With the Covid-19 Coronavirus spreading in the UK and across the globe, we now face, for an unspecified amount of time, a closure of schools, universities, restaurants, and other public meeting venues and businesses. To encourage business owners to stick to official governmental guidelines, and to mitigate the economic impact, a raft of emergency measures have been announced.

Below is a summary of what is available for businesses to assist them through this difficult and unprecedented time. We have linked to the relevant sections of the gov.uk sites for reference; these sites should be used as definitive information and may update quicker than the below.

### **RESTART GRANT**

<https://www.gov.uk/guidance/check-if-youre-eligible-for-a-coronavirus-restart-grant>

The Restart Grant scheme supports businesses in reopening safely as COVID-19 restrictions are lifted. Grants are available from 1 April 2021.

Eligible businesses in the non-essential retail sector may be entitled to a one-off cash grant of up to £6,000 from their local council.

Eligible businesses in the hospitality, accommodation, leisure, personal care and gym sectors may be entitled to a one-off cash grant of up to £18,000 from their local council.

Your business may be eligible if it is:

- based in England
- rate-paying
- in the non-essential retail, hospitality, accommodation, leisure, personal care or gym sectors
- trading on 1 April 2021

Applications can be made by visiting your local council's website:

<https://www.gov.uk/find-local-council>

### **RECOVERY LOAN SCHEME**

<https://www.gov.uk/guidance/recovery-loan-scheme>

The Recovery Loan Scheme is to help businesses of any size access loans and other kinds of finance so they can recover after the pandemic and transition period.

Up to £10 million is available per business. The actual amount offered and the terms are at the discretion of participating lenders.

The government guarantees 80% of the finance to the lender. As the borrower, you are always 100% liable for the debt.

The scheme is open until 31 December 2021, subject to review.

### **What you can get**

- term loans or overdrafts of between £25,001 and £10 million per business



- invoice or asset finance of between £1,000 and £10 million per business

No personal guarantees will be taken on facilities up to £250,000, and a borrower's principal private residence cannot be taken as security.

How long the loan is for

The maximum length of the facility depends on the type of finance you apply for and will be:

- up to 3 years for overdrafts and invoice finance facilities

- up to 6 years for loans and asset finance facilities

Accredited lenders can be found by visiting the British Business Bank website:

<https://www.british-business-bank.co.uk/ourpartners/recovery-loan-scheme/>

### **CORONAVIRUS JOB RETENTION SCHEME**

<https://www.gov.uk/guidance/claim-for-wage-costs-through-the-coronavirus-job-retention-scheme>

<https://www.businesssupport.gov.uk/?s=Coronavirus+Job+Retention+Scheme+>

The government has undertaken to pay UK businesses where employees are unable to work due to Covid-19/Coronavirus. The aim is to encourage employers to retain staff, preventing largescale disruption to employment.

A grant will be available to cover 80% of gross pay per 'furloughed' employee, up to a maximum of £2,500 per month. Gross pay for this definition includes employers' NIC and the statutory minimum of pension contributions. An employer can choose to 'top up' pay to the normal value but is not obliged to under the scheme.

Pay going back to 1 March 2020 will be covered by the scheme. The payment scheme will initially run to 31 May 2020. The reference period for determining gross pay will be the month to 28th February 2020. This is to prevent artificial increase of wages post announcement, for the purpose of increasing grant entitlement. Full pay should be made via payroll and would be subject to PAYE tax, NIC and pension contribution liability for both employee and employer.

Affected workers are designated as "furloughed". This means that they cannot work for the employer but are retained on payroll. The employer needs to inform the employee in writing that they have been furloughed.

The grant will be applied for via an online portal on the HMRC website; however, this facility is still in development as at this writing and is not yet available. HMRC have announced that they aim to have a submission system available by the end of April. With measures being so new, payroll software providers are yet to release updates to accommodate the required 'furloughed worker' adjustments. We have recommended entering separate lines on payslips indicating 'furloughed pay' and 'furlough top up' for clarity with staff.

The sole director of a company can be a furloughed employee. However, a furloughed employee cannot work and therefore the company of the contractor could not have any income during the period of the claim. Inconsistency of work is in the nature of self-employment, and therefore a claim for salary support would be inconsistent with a basis for the company to be taxed outside of IR35. Where lack of work is prolonged, the alternative of becoming a sole trader and relying on the benefits available in that scenario are more tenable. SSP reclaims would apply in some cases to directors out of work due to illness.



### Working through a limited company

Sole directors can obtain the grant for Coronavirus job retention scheme if a payroll has been operated; however, they need to remember that as a furloughed worker they must not undertake any work connected with current or future business or trade. They can only undertake their statutory duties as a Director.

### **IR35 POSTPONEMENT**

<https://www.gov.uk/government/news/off-payroll-working-rules-reforms-postponed-until-2021>

IR35 rules place a PAYE requirement on an individual who would be an employee 'but for' a company. The rules are an anti-avoidance provision designed to stop employees forming companies simply to avoid national insurance. A new ruling was designed to make it the responsibility of the person hiring to assess whether an individual was employed or self-employed. This new ruling was due to come into force on 1 April 2020, but had come under heavy scrutiny from the House of Lords. As a result of the impact of Covid-19/Coronavirus on the economy, the new ruling will not come into effect until 1 April 2021.

### **STATUTORY SICK PAY REBATE**

<https://www.businesssupport.gov.uk/statutory-sick-pay-rebate/>

It has not been possible to reclaim Statutory Sick Pay (SSP) since 2013-14. However, the government has announced that it will reimburse employers SSP for up to 2 weeks where the employee's absence was caused by SSP.

Affected workers would obtain an 'isolation note' from HMRC. The mechanism for government repayments has not yet been set up on the HMRC website.

### **TIME TO PAY ARRANGEMENTS**

HMRC Time to Pay arrangements will remain in place. A taxpayer struggling to find the cash to settle a liability can contact HMRC directly. An arrangement would spread the tax payments beyond the due date and without suffering late payment penalties that would otherwise apply.

### **VAT DEFERRAL**

<https://www.gov.uk/guidance/deferral-of-vat-payments-due-to-coronavirus-covid-19>

<https://www.businesssupport.gov.uk/vat-deferral/>

VAT payments normally due in a deferral period can now be postponed. The deferral period is from 20 March to 30 June 2020. Traders will have until 31 March 2021 to settle VAT liability deferred. The deferral applies automatically and does not need to be applied for. The mechanism by which the payments will be collected has not yet been made clear. Any VAT refunds would be processed in the usual timeframes.

### **BUSINESS RATES HOLIDAYS**

<https://www.businesssupport.gov.uk/business-rates-holiday-for-retail-hospitality-and-leisure/>

<https://www.businesssupport.gov.uk/business-rates-holiday-for-nurseries/>

A business rates holiday for 2020-21 will apply for those worse affected in the sector leisure, retail and hospitality sectors, and nurseries. Businesses do need to make an application. The rates relief will be automatically applied. Any queries should be addressed with your local authority.

### **SELF-EMPLOYED INCOME SUPPORT SCHEME (SEISS)**

<https://www.businesssupport.gov.uk/self-employment-income-support-scheme/>

<https://www.gov.uk/guidance/claim-a-grant-through-the-coronavirus-covid-19-self-employment-income-support-scheme>

The Self-Employed Income Support Scheme has been introduced as below with the online service becoming available from the 13th May 2020

If you're self-employed or a member of a partnership and have been adversely affected by coronavirus (COVID-19) you can use this scheme to claim a grant.



You can claim if you're a self-employed individual or a member of a partnership and:

1) you traded in the tax year 2018 to 2019 and submitted your Self Assessment tax return on or before 23 April 2020 for that year

2) you traded in the tax year 2019 to 2020

3) you intend to continue to trade in the tax year 2020 to 2021

4) you carry on a trade which has been adversely affected by coronavirus

Your business could be adversely affected by coronavirus if, for example:

1) you're unable to work because you:

2) are shielding

3) are self-isolating

4) are on sick leave because of coronavirus

5) have caring responsibilities because of coronavirus

6) you've had to scale down or temporarily stop trading because:

7) your supply chain has been interrupted

8) you have fewer or no customers or clients

9) your staff are unable to come in to work

If you're eligible HMRC will tell you the date you can make your claim from.

If your claim is approved you'll receive your payment within 6 working days.

A self-employed person can obtain a grant equal to the lower of 80% of net monthly income and £2,500. Net monthly profits are based on an average of profits for the preceding three tax years.

#### Income criteria

Only sole traders or partners with profits below a set limit will be eligible.

The limit is either

1) a profit of £50,000 or lower for the tax year of 2018-19

or

2) an average profit of £50,000 for the tax years 2018-19, 2017-18 and 2017-16. Therefore, if 2018-19 resulted in a profit spike, eligibility could still be intact by reference to earlier years. Where self-employment started after 6 April 2016, only the tax years of self-employment available would be included in the averaging calculation. Over 50% of income must be derived from self-employment activity.

#### Trading criteria



Unfortunately, sole traders who have registered in 2019-20 will not be eligible. Sole traders still need to be in business for 2019-20, (or still in business were it not for Covid-19/Coronavirus), and with the intention to continue trading during 2020-21. A sole trader must submit a 2018-19 Tax Return by 23 April 2020 in order to protect eligibility.

#### Payment date

The grants will be paid from 1 March 2020 to 31 May 2020. HMRC intends grants to be payable in one lump sum from about June.

#### Alternative finance

Until such a time as the grants are available, self-employed can access cash via Universal Credit, the Coronavirus Business Interruption Loan Scheme (CBILS) and the Business Bounce Back Loan Scheme (BBLs)

#### **SELF-EMPLOYED UNIVERSAL CREDIT**

Self-employed workers who must stay at home because of Covid-19/Coronavirus symptoms would not be eligible for SSP. In this case, a self-employed worker can claim Universal Credit, up to the rate of statutory sick pay and without having to visit the JobCentre. The chancellor also announced a general increase in universal credit allowance by £1,000 lasting twelve months.

#### **RESIDENCY, DOMICILE AND REMITTANCE**

<https://www.gov.uk/hmrc-internal-manuals/residence-domicile-and-remittance-basis/rdrm11005>

Days in which an individual is required to stay in the UK as a result of 'lockdown' measures will be treated as exception for the purpose of determining tax residence.

