

Employers Guidance and Procedures for Finance

COVID -19

The Chancellor, Rishi Sunak, announced significant further measures to protect employees and the economy.

No significant announcements have been made concerning protection for the self-employed, other than access to universal credit, and the deferral of second instalment income tax payments due 31 July and VAT payments due up to 30 June, deferred until 31 January 2021 in both cases, but we expect more significant intervention this coming week on this front.

Those measures announced include:

- **Job Retention Scheme**

For all employees who remain on the payroll with no work to do, the Government will pay up to 80% of their basic salary up to a maximum of £2,500 per month. They will also give employers the ability to top-up the salary to 100%. All businesses are eligible for this scheme.

In order to access this scheme, businesses will need to:

1. Designate affected employees as 'furloughed workers,' and notify your employees of this change. Changing the status of employees remains subject to existing employment law and, depending on the employment contract, may be subject to negotiation.
2. Submit information to HMRC about the employees that have been furloughed and their earnings through a new online portal (HMRC will set out further details on the information required).

The Government has pledged these measures will be in place for three-months and available by the end of April but will take effect from 1 March 2020.

These arrangements will be reviewed every month so that if further extensions are required, this is possible.

Businesses can apply for this wage relief from Monday 23 March. HMRC will have to create a new IT software system to run the scheme. This will take until April to complete as it requires a new system to reverse pay staff normally paid under PAYE rules. HMRC will publish further guidance as soon as it's available:

- **Coronavirus Business Interruption Loan Scheme (CBILS)**

The Government intends to support businesses who have short-term cash flow needs and require the money before the end of April through the business loan mechanisms noted below which will be available through high street banks from Monday 23 March. These loans will now be interest free for 12-months, rather than the six- months previously announced.

- **Deferred VAT payments**

Business VAT payments for the next quarter (until 30 June 2020) will be deferred until the end of the year.

- **Universal Credit**

The self-employed will not have to make a tax payment on account in July and the payment will be deferred until January 2021. The minimum income floor for Universal Credit has been removed and it has been increased by £1,000 per year, ensuring the self-employed will get this Universal Credit at the statutory sick pay level. He also announced a further £1bn to cover 30% of house rental costs for the self-employed.

- **Additional measures**

Additional measures to improve access to credit for medium and large businesses will be announced later this week.

Further guidance is expected today, Monday 23 March on all the measures above. Once available we will comment further.

- **Coronavirus Business Interruption Loan Scheme**

To support small and medium sized business, the Chancellor is extending the Business Interruption Loan Scheme. This will be administered through the British Business Bank and is due to launch in the week commencing 23 March.

The scheme provides the lender with a Government-backed guarantee against the outstanding facility balance.

The limit of funding has increased from the £1.2 million announced on the 11 March to £5 million for companies with a turnover of less than £45 million.

Finance terms are from three-months up to ten- years for term loans and asset finance and up to three-years for revolving facilities and invoice finance.

The Government will cover the first 12-months of interest payments, so businesses will benefit from lower initial repayments. The business remains liable for repayments of the capital.

To be eligible for support via the Business Interruption Loan Scheme, the small business must:

- Be UK-based, with turnover of no more than £45 million per annum.
- Operate within an eligible industrial sector (a small number of industrial sectors are not eligible for support or subject to limitations).
- Be able to confirm that they have not received de minimis State aid beyond £200,000 equivalent over the current and previous two fiscal years.
- Be unable to meet a lender's normal lending requirements for a full commercial loan or other facility but would be considered viable in the longer-term.

- **Filings with Companies House**

Companies House and the Financial Reporting Council have confirmed that all companies with imminent filing deadlines – predominantly 30 June 2019 year-ends which are due for filing by 31 March 2020 – will be granted a two-month extension.

If you are in the situation that your annual accounts are not yet finalised and may not get completed by the filing deadline, you must still contact Companies House.

However, they are automatically accepting Coronavirus as a reason and providing a two-month extension.

You will need to state:

- the Company number
- an e-mail address
- that you are extending due to coronavirus

It is critical that the application is made before the deadline or it will be rejected.

In addition, in extreme circumstances, they are prepared to offer a further one-month extension.

If you have passed the filing deadline and are receiving notices concerning the overdue accounts, it is always recommended that you contact Companies House to explain the circumstances behind the delay. If Coronavirus is a factor, you should let them know this. Email them at:

enquiries@companieshouse.gov.uk

- **Time to Pay HMRC**

A dedicated helpline has been set-up to help businesses and self-employed individuals in financial distress and with outstanding tax liabilities to receive support with their tax affairs. Through this, businesses may be able to agree a bespoke 'Time to Pay' arrangement.

If you are concerned about being able to pay your tax due to Coronavirus, call HMRC's dedicated helpline on 0800 0159 559.

Further measures announced by the Chancellor on 17 March 2020

- **£330bn of Government-backed loans**

Equivalent to 15% of GDP, the Government has pledged that it will make £330 billion of guaranteed funding available to any business that needs it. The Chancellor has also stated that, if demand is greater than the £330 billion of funding, he will provide additional funds.

- **Cash grants for retail, hospitality and leisure sectors**

For businesses with a rateable value of up to £51,000 in the retail, hospitality and leisure sectors, an additional grant of up to £25,000 per business will be made available.

The grant is intended to cover the cost of business disruption and, in particular, the payment of rent.

Please use the following link to determine your business' rateable value:

<https://www.gov.uk/correct-your-business-rates>

- **Rates relief**

All businesses in the retail, hospitality and leisure sector, irrespective of size, will have a 12-month holiday from 1 April and will pay no rates at all.

If businesses who qualify for this do not receive a letter from their local council, it is important they contact them directly to claim this relief.

Implementation

At the time of writing, very little detail has been published on implementation or the precise nature of the new regulations and measures announced by Rishi Sunak on 17 March. We will publish additional guidance as soon as we receive same.

- **HMRC guidance on IR35**

HM Revenue & Customs (HMRC) have confirmed that the proposed changes to IR35, which were due to take place with effect from 6 April 2020, have now been pushed back to 2021.

Overseas businesses engaging with UK contractors via their personal services companies will also be pleased to learn that no further action in respect of the IR35 changes are currently required.

Note that the delay is only relevant to those companies that engage workers via their personal service companies and not those arrangements where companies are engaging workers directly.

Responses to the measures announced in the Budget on 11 March 2020 and other recommendations.

- **Filing of VAT and PAYE Returns**

In the event of being unable to file a VAT or PAYE return due to staff absence, it is recommended that HMRC are contacted before the due date, to explain the situation to them and help mitigate any surcharges that may be levied.

- **Bank covenants and loan repayments**

Many businesses will not be able to meet their banking covenants if there is a period of significant disruption, as envisaged. This could either be on performance covenants or simply the provision of financial information in case of staff disruption. Banks will be expecting this, and it is recommended that there is early communication with banks and, where possible, covenant waivers are sought. In those businesses with particular cash constraints, it is also recommended that the subject of payment holidays is raised with the bank early.

- **Sick pay**

The Chancellor, Rishi Sunak, also announced in the Budget that for businesses with fewer than 250 employees the cost of providing 14 days of Statutory Sick Pay per employee would be funded by the Government in full. This will also apply to those who are in self-isolation.

The Government has announced that the three- day waiting period for statutory sick pay will also be removed, but legislation will be needed to implement this. Further details on the implementation of these measures are awaited.

If we can help you with this or any other Finance queries, please do not hesitate to contact a member of our Finance Team at HR Services Scotland Ltd on 0800 652 2610.