

## **Information & advice for businesses, employers & employees during the Coronavirus Pandemic**

The information in this guidance sheet is sourced from GOV.UK, ACAS (The Advisory, Conciliation and Arbitration Service) and FSB (Federation of Small Businesses). As the issues discussed below are ongoing and changes to this information, the legislation and advice are happening constantly, we continue to update this guide. However, if you think something is outdated or incorrect, please either seek the information directly from the GOV website or contact our office to discuss on 01483 276100.

### **1. Isolation Information:**

Following the Prime Ministers address to the Nation on Monday evening (23/03/2020) it is necessary that all non-essential work be carried out from home where possible.

Employers need to make every effort to make working from home possible for its employees.

Prior to this 'Lockdown' the following advice was given to people showing symptoms, with confirmed Coronavirus or suspected coronavirus:

If you or a member of your household begins showing symptoms then the entire household must self-isolate for 14 days, from the first day symptoms were shown. The person to first show symptoms must isolate for 7 days from the first day of symptoms.

### **2. Furloughing Employees, SSP & Payroll**

Employees hired after 28 February 2020 cannot be furloughed or claimed for in accordance with this scheme.

You do not need to place all your employees on furlough. However, those employees who you do place on furlough cannot undertake work for you.

There is an exception to this-if you are a director of a limited company, you are not only an employee (for which you might receive a wage and so are eligible for furloughing) you are a responsible officer of the company and therefore you need to do PR , marketing, bookkeeping, contact with clients and banks etc. If in doubt, call us!

#### **If your employee is on unpaid leave**

Employees on unpaid leave cannot be furloughed, unless they were placed on unpaid leave after 28 February.

#### **If your employee is on Statutory Sick Pay**

Employees on sick leave or self-isolating should get Statutory Sick Pay but can be furloughed after this.

Employees who are shielding in line with public health guidance can be placed on furlough.

### **If your employee has more than one job**

If your employee has more than one employer, they can be furloughed for each job. Each job is separate, and the cap applies to each employer individually. So, if you furlough an employee and they take a part time job, driving for Asda, or filling shelves for Tesco etc., they will receive both a wage for their employment through PAYE and a wage from you, for being on furlough.

### **If your employee does volunteer work or training**

A furloughed employee can take part in volunteer work or training, as long as it does not provide services to or generate revenue for, or on behalf of your organisation.

However, if workers are required to for example, complete online training courses whilst they are furloughed, then they must be paid at least the NLW/NMW for the time spent training, even if this is more than the 80% of their wage that will be subsidised.

### **If your employee is on Maternity Leave, contractual adoption pay, paternity pay or shared parental pay**

Individuals who are on or plan to take Maternity Leave must take at least 2 weeks off work (4 weeks if they work in a factory or workshop) immediately following the birth of their baby. This is a health and safety requirement. In practice, most women start their Maternity Leave before they give birth.

If your employee is eligible for Statutory Maternity Pay (SMP) or Maternity Allowance, the normal rules apply, and they are entitled to claim up to 39 weeks of statutory pay or allowance.

Employees, who qualify for SMP, will still be eligible for 90% of their average weekly earnings in the first 6 weeks, followed by 33 weeks of pay paid at 90% of their average weekly earnings or the statutory flat rate (whichever is lower). The statutory flat rate is currently £148.68 a week, rising to £151.20 a week from April 2020.

If you offer enhanced (earnings related) contractual pay to women on Maternity Leave, this is included as wage costs that you can claim through the scheme.

The same principles apply where your employee qualifies for contractual adoption, paternity or shared parental pay.

### **Work out what you can claim**

Employers need to make a claim for wage costs through this scheme.

You will receive a grant from HMRC to cover the lower of 80% of an employee's regular wage or £2,500 per month, plus the associated Employer National Insurance contributions and minimum automatic enrolment employer pension contributions on that subsidised wage. Fees, commission and bonuses should not be included.

At a minimum, employers must pay their employee the lower of 80% of their regular wage or £2,500 per month. An employer can also choose to top up an employee's salary beyond this but is not obliged to under this scheme.

We will issue more guidance on how employers should calculate their claims for Employer National Insurance Contributions and minimum automatic enrolment employer pension contributions, before the scheme becomes live.

### **Full time and part time employees**

For full time and part time salaried employees, the employee's actual salary before tax, as of 28 February should be used to calculate the 80%. Fees, commission and bonuses should not be included.

### **Employees whose pay varies**

If the employee has been employed (or engaged by an employment business) for a full twelve months prior to the claim, you can claim for the higher of either:

- the same month's earning from the previous year
- average monthly earnings from the 2019-20 tax year

If the employee has been employed for less than a year, you can claim for an average of their monthly earnings since they started work.

If the employee only started in February 2020, use a pro-rata for their earnings so far to claim.

Once you've worked out how much of an employee's salary you can claim for, you must then work out the amount of Employer National Insurance Contributions and minimum automatic enrolment employer pension contributions you are entitled to claim.

### **What you'll need to make a claim from HMRC**

Firstly, employers should discuss with their staff and make any changes to the employment contract by agreement. We have produced a 'furlough letter' you can use to comply with these requirements. Please ask for it, for free, or if you require us to issue it for you, there may be a small charge to do this.

To claim from HMRC, you will need:

- your PAYE reference number

- the number of employees being furloughed
- the claim period (start and end date)
- amount claimed (per the minimum length of furloughing of 3 weeks)
- your bank account number and sort code
- your contact name
- your phone number

You will need to calculate the amount you are claiming. HMRC will retain the right to retrospectively audit all aspects of your claim. We expect to be authorised to make this claim for you so please ensure you talk with your payroll operator here at Oakwood, so we have a copy of the furlough letter for each employee on file and we can keep what records will be needed for the claim- there will be a small fee for this service if you require us to make the claim for you.

### **Claim**

The online service you'll use to claim is not available yet. We expect it to be available by the end of April 2020.

You can only submit one claim at least every 3 weeks, which is the minimum length an employee can be furloughed for. Claims can be backdated until the 1 March if applicable.

### **What to do after you've claimed**

Once HMRC have received your claim and you are eligible for the grant, they will pay it via BACS payment to a UK bank account.

You should make your claim in accordance with actual payroll amounts at the point at which you run your payroll or in advance of an imminent payroll.

You must pay the employee all the grant you receive for their gross pay, no fees can be charged from the money that is granted. You can choose to top up the employee's salary, but you do not have to.

### **When the government ends the scheme**

When the government ends the scheme, you must make a decision, depending on your circumstances, as to whether employees can return to their duties. If not, it may be necessary to consider termination of employment (redundancy).

### **Employees that have been furloughed**

Employees that have been furloughed have the same rights as they did previously. That includes Statutory Sick Pay entitlement, maternity rights, other parental rights, rights against unfair dismissal and to redundancy payments.

Once the scheme has been closed by the government, HMRC will continue to process remaining claims before terminating the scheme.

### **Tax Treatment of the Coronavirus Job Retention Grant**

Payments received by a business under the scheme are made to offset these deductible revenue costs. They must therefore be included as income in the business's calculation of its taxable profits for Income Tax and Corporation Tax purposes, in accordance with normal principles.

Businesses can deduct employment costs as normal when calculating taxable profits for Income Tax and Corporation Tax purposes.

### **3. What to do if you're self-employed & The Coronavirus Self-employment income support scheme**

The Government has suspended the 'minimum income floor' from Universal Credit (UC) for the self-employed, so if you are in the system due to low income there is no longer an assumption you earn the equivalent of the living wage (which from next month this is £8.72 an hour, so for 35 hours a week that's £305.20). UC is administered through Jobcentre Plus, which like the NHS is likely to switch to online/phone for consultations.

If you do not currently receive Universal Credit you can apply to do so. If you need income fast, you can apply for an advance on your first scheduled universal credit payment. You can apply for universal credit even if you are working – it is designed for people who are either out of work or on a low income. This includes someone who is self-employed and whose income has dropped as a result of this disruption.

If you are self-employed and claiming Employment Support Allowance (ESA), and test positive for coronavirus or are in self-isolation, you will be able to claim from day one of a claim instead of waiting the usual seven days. You will also be able to apply for ESA if you have a disability or health condition that affects how much you can work.

The Coronavirus Self-Employment income support scheme will allow you to claim a taxable grant worth 80% of your trading profits up to a maximum of £2,500 per month for the next 3 months. This may be extended if needed.

#### **Who can apply**

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

- have submitted your Income Tax Self-Assessment tax return for the tax year 2018-19
- traded in the tax year 2019-20
- are trading when you apply, or would be except for COVID-19
- intend to continue to trade in the tax year 2020-21
- have lost trading/partnership trading profits due to COVID-19

Your self-employed trading profits must also be less than £50,000 and more than half of your income, come from self-employment. This is determined by at least one of the following conditions being true:

- having trading profits/partnership trading profits in 2018-19 of less than £50,000 and these profits constitute more than half of your total taxable income
- having average trading profits in 2016-17, 2017-18, and 2018-19 of less than £50,000 and these profits constitute more than half of your average taxable income in the same period

If you started trading between 2016 & 2019, HMRC will only use those years for which you filed a Self-Assessment tax return.

**If you have not submitted your Income Tax Self-Assessment tax return for the tax year 2018-19, you must do this by 23 April 2020.**

HMRC will use data on 2018-19 returns already submitted to identify those eligible and will risk assess any late returns filed before the 23 April 2020 deadline in the usual way.

### **How much you'll get**

You'll get a taxable grant which will be 80% of the average profits from the tax years (where applicable):

2016 to 2017

2017 to 2018

2018 to 2019

To work out the average HMRC will add together the total trading profit for the 3 tax years (where applicable) then divide by 3 (where applicable), and use this to calculate a monthly amount.

It will be up to a maximum of £2,500 per month for 3 months.

We'll pay the grant directly into your bank account, in one instalment.

### **How to apply**

You cannot apply for this scheme yet.

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

Individuals do not need to contact HMRC now and doing so will only delay the urgent work being undertaken to introduce the scheme.

### **After you've applied**

Once HMRC has received your claim and you are eligible for the grant, we will contact you to tell you how much you will get and the payment details.

If you claim tax credits you'll need to include the grant in your claim as income.

## **4. More time to pay your taxes and Companies House Filing Extension**

HMRC has set up dedicated phone lines for Coronavirus related challenges, to help small businesses unable to pay their taxes on time (Corporation tax, income tax, PAYE, VAT) with options to defer or delay payment.

Known as 'Time To Pay', this is a vital service. Around 2,000 staff work the HMRC helpline. The helpline number is **0800 015 9559** and lines are open Monday to Friday, 8am to 8pm and on Saturday, 8am to 4pm.

HMRC will also waive late payment penalties and interest, but you should make every effort to contact HMRC immediately.

All Self-Assessment bills due by the end of July have been deferred until January 2021.

**VAT** – VAT payments due between now and June 30<sup>th</sup> have been deferred. Businesses with VAT liabilities will have until the end of the 2020/21 tax year to pay. If due a refund of VAT this will be processed as usual. VAT returns still need to be submitted as usual.

**Those who have a direct debit in place with HMRC to pay their VAT liability should cancel this before HMRC attempts to automatically take payment.**

From the 25 March companies affected by the crisis will be able to apply for a three-month extension to their accounts filing deadline. Companies will need to apply for the extension but should automatically be granted it.

## **5. Business Rates and Government backed Loans**

Talk to your bank about financial help if needed, to tide you over if your business gets into difficulty. Banks are being asked to have a presumptive 'yes' when an otherwise viable small business goes to them in distress.

The UK Government and Bank of England have made billions of pounds available for domestic banks across the UK to help small businesses in this position.

The British Business Bank is setting up a Coronavirus Business Interruption Lending Scheme which will provide your lender with a government-backed 80% guarantee against the outstanding facility balance, which should enable a 'no' credit decision to become a 'yes'.

In addition to considering new overdraft facilities, banks and finance providers should also be lenient on things like loan repayments. The Bank of England cut interest rates from 0.75% to 0.25%.

In the address on 17/03/20 Government update it was announced that banks will be offering a 3 month Mortgage holiday opportunity.

The UK Government announced at the Budget that small businesses with a rateable value of between £12K and £51K in England, across retail, hospitality and leisure sectors will see their relief increase from 33% to 100%, for one year. Note that the relief has been expanded to more sectors, but not all. Pubs will also get a £5,000 discount. In total, 900,000 businesses will now not pay a penny in business rates.

700,000 businesses that already qualify for Small Business Rate Relief or Rural Rate Relief will be given a £3,000 cash grant.

If you have already received a business rates bill – it is important to pay it, with a refund being issued retrospectively. More detail is due to be announced by 20th March.

Business rates are being put on hold for 12 months for these qualifying businesses, as announced in the Chancellors address on 17/03/2020.

The temporary Coronavirus Business Interruption Loan Scheme supports SMEs with access to loans, overdrafts, invoice finance and asset finance of up to £5 million and for up to 6 years.

The government will also make a Business Interruption Payment 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.

The government will provide lenders with a guarantee of 80% on each loan (subject to pre-lender cap on claims) to give lenders further confidence in continuing to provide finance to SMEs. The scheme will be delivered through commercial lenders, backed by the government-owned British Business Bank.

There are 40 accredited lenders able to offer the scheme, including all the major banks.

## **6. Coronavirus Business Interruption Loan Scheme**

The Coronavirus Business Interruption Loan Scheme (CBILS) is a series of government backed loans for viable businesses suffering disruption as a result of the current crisis. Government will guarantee 80% of each loan and will pay all interest and fees on the product for the first twelve months.

CBILS covers a variety of products being made available through banks, building societies and other financial institutions.

Businesses interested in obtaining one of these products should contact their main businesses bank first. It should be noted that many banks are only offering products to existing customers.

To obtain a product under the CBILS businesses will need to meet the following criteria:

- Be UK based, with turnover of no more than £45 million per annum



- 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
- Have a sound borrowing proposal, but insufficient security to meet the lender's requirements

Sole traders and unincorporated partnerships are eligible to apply for products covered under the scheme. Although, some organisations may not qualify for the scheme, or for the full interest/fee free period. These include aquaculture and agriculture businesses as well as financial institutions such as banks and insurers. You should check with the specific lender for exclusions.

Please note, we are constantly reviewing this information and guidance and editing where necessary to keep in line with updated Government legislation. If you have any questions or want any more information about how this is affecting your business, employees or self, please don't hesitate to get in contact with our office on 01483276100 or email [office@oaktax.com](mailto:office@oaktax.com).

Gov.uk: <https://www.gov.uk/coronavirus>

ACAS: <https://www.acas.org.uk/coronavirus>

FSB: <https://www.fsb.org.uk/campaign/covid19.html>