

Tax E-News

Welcome to our special newswire. In this edition we focus on the measures announced by the Government to support businesses and individuals during the Covid-19 crisis. Please contact us if you wish to discuss any matters in this newsletter.

27 March 2020

£330 BILLION CORONAVIRUS SUPPORT PACKAGE



On Friday 20th March the Chancellor, Rishi Sunak, set out a package of measures to support public services, people and business through the disruption caused by the COVID-19 virus. Further measures were announced on 26th March to support the self-employed.

CORONAVIRUS JOB RETENTION SCHEME

HMRC will reimburse 80% of 'furloughed' workers wage costs, up to a cap of £2,500 per month. Under the Coronavirus Job Retention Scheme, all UK employers will be able to access support to continue paying part of their employees' salary for those employees that would otherwise have been laid off during this crisis. All UK businesses are eligible. Employers will need to designate affected employees as furloughed workers, and notify your employees of this change.

Employers will also be required to submit information to HMRC about the employees that have been

furloughed and their earnings through a new online portal (still awaiting information from HMRC).

SELF-EMPLOYMENT INCOME SUPPORT SCHEME

On 26 March the Chancellor announced a grant to be paid to the self-employed and members of a partnership who have lost income due to coronavirus. This 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. The 80% figure will be based on the average net profits for 2016/17 to 2018/19.

There is a further condition that your self-employed trading profits must also be less than £50,000 and more than half of your income must come from self-employment.

Only those who have submitted their 2018/19 tax return, traded in 2019/20 and intend to trade in 2020/21 are eligible. 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 to qualify.

HMRC will contact taxpayers who are eligible for the scheme and invite them to apply online. HMRC will pay the grant directly into the taxpayer's bank account, in one instalment, in June 2020. If you claim tax credits you will need to include the grant in your claim as income.

What was absent from the Chancellors statement was support for personal service companies (PSC) who are likely to fall between two stools. HMRC guidance however states "If you're a director of your own company and paid through PAYE you may be able to get support using the Job Retention Scheme (JRS)" but how many PSC directors can justify that they are furloughed!

STATUTORY SICK PAY

Statutory sick pay (SSP) is normally payable from the fourth day of absence, however if you are self-isolating because of COVID-19 from 13 March, you can now claim SSP from day 1. This includes individuals who are caring for people self-isolating in the same household and are in quarantine.

The rate of SSP is currently £94.25 per week and it is paid by employers for up to 28 weeks. From Friday 20 March onwards, those who have COVID-19 or are advised to self-isolate will be able to obtain an "isolation note" by visiting NHS 111 online and completing an online form.

SMALL EMPLOYERS CAN RECLAIM 2 WEEKS SSP

If you are a small or medium-sized business, you may be entitled to reclaim the costs of SSP for sickness absence due to COVID-19.

This refund will cover up to two weeks' SSP per eligible employee who are either ill or been told to self-isolate because of COVID-19. Employers with fewer than 250 employees will be eligible. The size of an employer will be determined by the number of people they employed as of 28 February 2020. Employers will be able to reclaim expenditure for any employee who has claimed SSP as a result of COVID-19.

Employers should maintain records of staff absences, but employees will not need to provide a GP fit note.

DEFERRAL OF VAT PAYMENTS

The Government have also announced the deferral of VAT payments for 3 months from 20 March 2020 until 30 June 2020 to assist their cash flow. All VAT registered traders are eligible. This will generally mean the deferral of one quarter's VAT, the payments due on 7 April, 7 May or 7 June 2020 or the monthly payments due on each of these dates. This deferral will be automatic, however it is unclear whether HMRC will automatically suspend collection of direct debit payments of VAT during this period so we suggest that you cancel your direct debit mandate but remember to set it up again in due course. Businesses have until the end of the 2020/21 tax year to pay any VAT liabilities that accumulate

VAT refunds and reclaims will be paid by the government as normal. Businesses should continue to file their VAT returns by the due date to avoid penalties.

IR35 "OFF-PAYROLL" RULES DELAYED

The new rules for workers providing their services through personal service companies that were due to start from 6 April 2020 have been delayed by a year. This would have represented a significant additional administrative burden on large and medium-sized businesses and would have resulted in more income tax and national insurance being deducted from workers affected.

DEFERRAL OF 31 JULY PAYMENTS ON ACCOUNT

Self-employed taxpayers will not be required to make the payments on account of their 2019/20 tax that are normally due on 31st July 2020.

The tax deferred will still be due on 31 January 2021 together with the balancing payment for 2019/20.

No application is required and those affected will not incur penalties or interest on those payments.

EXTRA TIME TO PAY YOUR TAX LIABILITIES

In addition to the deferral of VAT and income tax payment on account, businesses and self-employed taxpayers in financial distress as a result of Coronavirus, may be able to negotiate additional time to pay their taxes. There is a dedicated HMRC helpline number 0800 0159 559 for you to ring, or we can contact them on your behalf. Before phoning HMRC it is advisable to have financial forecasts and a statement of assets and liabilities available. We can again assist you with this.

HMRC will usually expect to set up a regular monthly payment plan with collection by direct debit. Most HMRC debt management contact centre staff have authority to agree time to pay over a period of up to 12 months. Longer periods can be arranged but usually need to be escalated to senior HMRC staff.

BUSINESS RATES RELIEF

The Government is introducing a business rates holiday for retail, hospitality and leisure businesses in England for the 2020/21 tax year. (Similar schemes will be introduced in Wales and Scotland) Businesses that received the retail discount in the 2019/20 tax year will be rebilled by their local authority as soon as possible. Properties that will benefit from the relief will be premises that are wholly or mainly being used:

- As shops, restaurants, cafes, drinking establishments, cinemas and live music venues,
- for assembly and leisure and
- as hotels, guest & boarding premises and self-catering accommodation

SMALL BUSINESS GRANT SCHEME

The government will also provide additional grant funding for local authorities to support small businesses that already pay little or no business rates because of small business rate relief (SBBR), rural rate relief (RRR) and tapered relief. This will provide a one-off grant of £10,000 to eligible businesses to help meet their ongoing business costs.

RETAIL AND HOSPITALITY GRANT SCHEME

A further cash grant scheme is available to businesses in the retail, hospitality and leisure sectors. Qualifying businesses are eligible for a cash grant of up to £25,000 per property. The grant applies to businesses in these sectors with a rateable value of under £15,000, they will receive a grant of £10,000. For businesses with a rateable value of between £15,001 and £51,000, they will receive a grant of £25,000.

CORONAVIRUS BUSINESS INTERRUPTION LOAN SCHEME

This new loan scheme delivered by the British Business Bank, will launch from 23 March 2020 to support small and medium-sized businesses to access bank lending. The government will provide lenders with a guarantee of 80% on each loan to give lenders further confidence in continuing to provide finance to SMEs. The Scheme will support loans of up to £5 million in value and will be interest free for the first 12 months. The scheme applies to UK businesses with a turnover of no more than £45 million per annum.

The Bank of England will also buy short term debt from larger companies under a new Covid-19 Corporate Financing Facility.

Please contact a member of our team if you would like to discuss any of the issues raised.

Call: 0161 491 3788 or Email: info@langer.co.uk