



COVID-19 Business Support Guide

This publication outlines government measures introduced, at the current time, to help support businesses. With the ever changing situation and regular government announcements, this document will continue to be “live” and we will provide regular updates as required.

Updates in this edition include:

- further detail on the operation of the Job Retention Scheme;
- clarification on the availability of business rates support; and
- comments on the mechanics of VAT and income tax deferral.

New measures announced in the last 7 days include:

- Self-employment income support scheme;
- Insolvency – protection for directors;
- Statutory accounts filing extension;
- Annual General Meetings format changes; and
- Increase to holiday carry forward allowances.

JOB RETENTION SCHEME

One of the most difficult decisions a business can face is the future employment of its staff. With increased social distancing measures and the “lockdown”, this can have a devastating impact on a business that relies on employees that cannot otherwise fulfil their duties from home, such as office workers.

If there is no requirement for your business to keep employees on, because, for example, your business premises are shut (and you are not in an industry that can adopt remote working), or the demand for your trade has fallen, there are other options now available other than redundancy.

On the anticipation that the economy will bounce back and your business will pick up, the Coronavirus Job Retention Scheme gives the option to identify affected employees as “furloughed employees”, effectively granting a leave of absence with the ability to return to their jobs. Employees can be furloughed if they were hired on or before 28 February 2020 and are either agency workers or are on full, part time, flexible or zero hour contracts.

BUSINESS BRIEF

31 March 2020

Eighth Floor
6 New Street Square
New Fetter Lane
London EC4A 3AQ

And at

Q3, The Square
Randalls Way
Leatherhead
Surrey KT22 7TW

T +44 (0)20 7842 2000
F +44 (0)20 7842 2080

hello@rawlinson-hunter.com
www.rawlinson-hunter.com

Partners

Chris Bliss FCA
Mark Harris FCA
David Barker CTA
Kulwam Nagra FCA
Paul Baker ACA
Andrew Shilling FCA
Craig Davies FCA
Graeme Privett CTA
Chris Hawley ACA
Phil Collington CTA
Toby Crooks ACA
Michael Foster CTA
Paul Huggins ACA
Trevor Warmington CTA
James Randall FCA
Kristina Volodeva CTA

Directors

Lynnette Bober FCA
Karen Doe
Lynne Hunt FCA
Gillian Lawrence CTA
Nigel Medhurst AIT
Al Nawrocki CTA
Mark Shaw
Catherine Thompson FCA
Tracy Underwood CTA
Alan Ive CTA
Yueling Wei FCCA
Sarah Fernando CTA

Consultant

Philip Prettejohn FCA

Senior Adviser

David Kilshaw

Furloughed workers must not work for the employer during the furlough period, but they are permitted to undertake training, as long as this does not generate revenue for the employer. They can, however, undertake voluntary work or work for another organisation if their contract permits.

HM Revenue & Customs (“HMRC”) will reimburse 80% of furloughed employees wage costs (defined as actual monthly salary at 28 February 2020, or, for employees with variable pay, the higher of their earnings for the same pay period in the previous year or their average earnings in the 2019/2020 tax year) up to a limit of £2,500 per month, plus the associated employer’s National Insurance Contributions and the minimum statutory employer’s Auto Enrolment pension contributions (there is no comment on the Apprenticeship Levy). In all cases, the definition of ‘wage costs’ excludes fees, commissions and bonuses. Employers then have the option (but not a requirement) to fund the additional 20%, albeit they may wish to highlight the cost savings to employees of the absence of commuting costs which could be relevant.

In order to qualify for the scheme the business will need to designate the relevant employees as furloughed and submit information to HMRC about these employees on a new online portal (which HMRC is, at the time of writing, working on, and so these are unlikely to be available until at least the end of April). When accessing the scheme, the employer will need to provide the following information:

- Employer’s PAYE reference;
- Number of employees furloughed;
- Claim period (start and end dates);
- Amount claimed (per the minimum length of three weeks);
- UK bank account details (sort code and account number); and
- Contact name and phone number.

The scheme is available to any UK organisation with an active PAYE registration at 28 February 2020, whose operations have been severely affected by COVID-19.

From a process perspective, assuming the employment contract does not have a lay-off clause, which is only normal in certain manufacturing industries with peaks and troughs, the business needs to have the employees’ consent to send them home on reduced pay, as the furlough is effectively a variance of the contract. Given the extreme situation, it is thought that a pragmatic approach to varying contracts will be accepted by employees (and the courts in due course) as it is difficult to follow the normal rules relating to the time to consult on variations.

There are various rules for employees on maternity leave, sick pay and long term absences which are outside the scope of this briefing and various details remain unanswered to date. It is noted that employers can require employees to take holiday when in a period of furlough, unless the employment contract states otherwise.

If the employer had already made some employees redundant post 28 February 2020, due to COVID-19, and prior to the Job Retention Scheme being announced (on 20 March 2020), these employees can be reinstated and furloughed. Payroll records will need to be amended to reflect this change.

The scheme is made available, with retrospective effect, from 1 March 2020, and will apply for at least 3 months, but this could be extended.

SICK PAY DUE TO COVID-19

Legislation will be introduced which will allow businesses with fewer than 250 employees as at 28 February 2020 to reclaim up to two weeks’ Statutory Sick Pay (‘SSP’) per employee at £94.25 per week, in the form of a rebate, for absence arising due to COVID-19. This not only includes those who are too sick to work, but also those who cannot work due to a household quarantine.

The rebate is available from the first day of self isolation, commencing from 13 March 2020.

Employers will need to keep records of any payments of SSP. Should the business require evidence of the SSP being COVID-19 related, the employee is able to obtain an isolation notice from the NHS website.

The repayment mechanism will be developed by the government over the coming months.

BUSINESS RATES SUPPORT

A business rates holiday for the 2020 to 2021 tax year will be available to business rate payers based in England that operate in the retail, hospitality and leisure sectors.

Properties that benefit from the relief must be occupied and used wholly or mainly:

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

These businesses are also eligible for cash grants of £10,000 where a property has a rateable value of up to £15,000, or £25,000 where the business has a property with a rateable value above £15,000 but under £51,000.

A similar business rates holiday will also be applied for OFSTED Early Years Foundation Stage Nurseries.

In addition to the above, Small Business Grant Scheme funding in the form of a one-off £10,000 grant will be available from local authorities for businesses that occupy properties and pay little or no business rates due to the availability of small business rate relief, rural rate relief and tapered relief.

There is no action required to access the above reliefs - they will be automatically applied by local authorities.

VAT DEFERRAL

Whilst there has not been a suspension of VAT and VAT should continue to be charged by businesses to their customers and paid to their suppliers (where applicable), there has been a deferral of the VAT liability on current returns. This deferral applies to all businesses with a UK VAT registration, so includes non-UK resident companies.

Any VAT payments due on your current VAT returns (liabilities from now until the end of June) will be deferred until the end of the 2020/21 financial year, 31 March 2021.

VAT returns will still need to be submitted to HMRC as usual. For those in a VAT refund situation, refunds will continue to be received as currently. HMRC has advised that businesses paying VAT by direct debit that wish to benefit from deferral should cancel their direct debit.

TIME TO PAY SERVICE

HMRC has set up a dedicated COVID-19 helpline (0800 024 1222) as a part of its Time To Pay Service ('TTPS') for businesses looking to defer their currently outstanding tax liabilities. It is envisaged that payment will be made through a series of instalments over a period of up to 12 months. This covers all taxes collected by HMRC.

Applications for deferral under TTPS will be assessed on a case-by-case basis. There is specific evidence that will need to be provided by those wishing to apply but it is important to note that HMRC expect that other funding sources will have been considered and explored before they are approached. Full detail will follow, with the key requirement being substantiating that the inability to pay has been directly caused by the pandemic – other supporting documents that will need presenting will likely to be similar to those for TTPS applications pre-Coronavirus.

INCOME TAX DEFERRAL

For those that are subject to tax through self-assessment, any payment on account due on 31 July 2020 has been deferred until 31 January 2021.

Again, this deferral is automatic with no applications or notifications to HMRC required. HMRC has confirmed no interest or penalties for late payment during the deferral period will apply.

BUSINESS INTERRUPTION LOAN SCHEME

Under the Coronavirus Business Interruption Loan Scheme, qualifying businesses can obtain loans of up to £5 million for a period of up to 6 years with the first 12 months being interest free (covered by the government together with any lender-levied fees).

The loans are available to Small and Medium-sized enterprises (businesses with a turnover of no more than £45 million) which generate more than 50% of their turnover from trading activities. The loans will be 80% backed by government guarantees.

The loans will be administered by commercial lenders, who should be contacted directly for this. Borrowers will need to provide a borrowing proposal which, were it not for the current pandemic, would be considered viable by the lender, and for which the lender believes the provision of finance will enable the business to trade out of any short-to-medium term difficulty.

We can assist you in identifying potential lenders and in preparation of your borrowing proposition.

SELF-EMPLOYMENT INCOME SUPPORT SCHEME

On 26 March 2020, the Chancellor of the Exchequer unveiled a support package for self-employed workers who have been impacted by the Coronavirus pandemic.

The support will take the form of a grant of up to £2,500 per month per self-employed person (expected to cover those who were trading as self-employed in the last financial year, remain self-employed now and are planning to continue to be self-employed). The grants will only be available to the self-employed with trading profits of up to £50,000 per year.

The grant value will be up to 80% of the self-employed person's average profits for up to the last three years (where multiple years of accounts are available). The grant will only be available to those who receive the majority of their income through self-employment.

The first payments under the scheme are expected to be made in June 2020 and HMRC will directly contact those who are eligible. The grants will be in place for three months and potentially extended if required.

In order to extend the eligibility for this scheme, The Chancellor also noted that self-employed people with outstanding tax returns for the year ended 5 April 2019 would still be eligible for the above grant, provided returns are filed by 23 April 2020 (these were originally due to be filed by 31 January 2020).

INSOLVENCY – PROTECTION FOR DIRECTORS

The Secretary of State for Business, Energy and Industrial Strategy, Alok Sharma, announced a relaxation of insolvency rules to enable greater flexibility for businesses during this period.

Wrongful trading laws, which prevent businesses from continuing to trade when insolvent, will be temporarily suspended with effect from 1 March 2020. In doing so personal liability for directors, who would ordinarily be prosecuted in such circumstances, is removed during the pandemic.

Additional measures include temporarily permitting businesses undergoing restructuring or a financial rescue process to continue to access raw materials and supplies without risk of being put into administration by creditors. Directors would, however, still need to fulfil all other legal obligations and duties.

Such measures should enable businesses to continue paying staff and suppliers with the expectation that some businesses will “bounce back”, whilst for others it may simply delay the inevitable.

STATUTORY ACCOUNTS FILING EXTENSIONS

From 25 March 2020, businesses impacted by COVID-19 can apply for a 3-month extension to the filing of their

statutory accounts at Companies House. This extension can be applied where the filing deadline has not yet passed.

The fast track application, which is estimated to take 15 minutes, can be made online at <https://beta.companieshouse.gov.uk/extensions>.

ANNUAL GENERAL MEETINGS

For businesses that are required to hold an annual general meeting, legislation will be introduced that allows for such meetings to be held on-line, by phone or by using proxy voting, in order to ensure that such meetings can still go ahead, whilst social distancing rules are respected.

HOLIDAY CARRY FORWARD INCREASED

Workers who have not been able to take their full annual leave entitlement due to the pandemic, will be able to carry forward up to 4 weeks of unused holiday into the next 2 leave years.

This relaxes the obligation on employers under the Working Time Regulations to ensure that workers take their statutory leave entitlement within a leave year and is designed to ensure that key industries (such as food and healthcare) supporting the national effort against COVID-19 do not find themselves short staffed during this peak demand period.

CORPORATE FINANCING FACILITY

To assist larger businesses with financing their outgoings in the short term, the Treasury and the Bank of England are introducing a new COVID-19 Corporate Financing Facility ('CCFF').

CCFF is in place for UK incorporated companies with genuine business operations in, and making "a material contribution to economic activity", in the UK. It will not extend to, very broadly, companies operating in the financial services sector.

The Scheme will operate through businesses issuing Commercial Paper (via a bank), which is unsecured short-term debt with:

- A minimum credit rating of A-3 / P-3 / F-3 / R3 from at least one of Standard & Poor's, Moody's, Fitch and DBRS Morningstar respectively, as at 1 March 2020;
- A maturity period of between one week and one year;
- With a value of at least £1m (rounded up to closet £0.1m thereafter).

Businesses without a credit rating will need to approach credit rating agencies to obtain one specifically for application under the CCFF.

Eligibility will be assessed on a case-by-case and application forms and supporting documents that will need to be provided were released by the government on 23 March 2020. It is understood that once approval is granted, Commercial Paper can be issued and sold to the Bank the following day.

CCFF is anticipated to be in place for at least 12 months.

Please contact your usual Rawlinson & Hunter contact should you require further information or any assistance with the above, or any of those listed below.

Craig Davies, Partner

Email: craig.davies@rawlinson-hunter.com

Direct Dial: +44 (0) 20 7842 2136

Kulwarn Nagra, Partner

Email: kulwarn.nagra@rawlinson-hunter.com

Direct Dial: +44 (0) 20 7842 2130

Andrew Shilling, Partner

Email: andrew.shilling@rawlinson-hunter.com

Direct Dial: +44 (0) 20 7842 2135

James Randall, Partner

Email: james.randall@rawlinson-hunter.com

Direct Dial: +44 (0) 20 7842 2131

Kristina Volodeva, Partner

Email: kristina.volodeva@rawlinson-hunter.com

Direct Dial: +44 (0) 20 7842 2126

Catherine Thompson, Director

Email: catherine.thompson@rawlinson-hunter.com

Direct Dial: +44 (0) 20 7842 2028

Hiral Kanzaria, Senior Manager

Email: hiral.kanzaria@rawlinson-hunter.com

Direct Dial: +44 (0) 20 7842 2102

Lynne Hunt, Director

Email: lynne.hunt@rawlinson-hunter.com

Direct Dial: +44 (0) 20 7842 2025