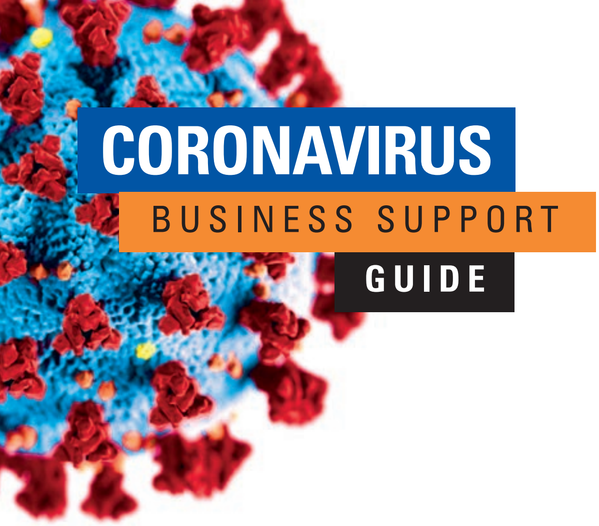


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# Navigating the crisis

The Coronavirus (COVID-19) pandemic and associated shutdown has significantly affected many businesses. We know you may be suffering in terms of cash flow and face enormous uncertainty about the future for your business. We will do all we can to help you.

In this newsletter we have brought together what you need to know about the Government help available for small businesses. HMRC is automatically deferring the next VAT and Income Tax bills, and it will agree extra time for you to pay Corporation Tax and PAYE, but those terms need to be negotiated individually.

Unfortunately, it takes time to set up new systems to provide cash injections directly into businesses, but there are Government grants now available to the self-employed as well as those already being paid to employers to cover 80% of wages. We explain who qualifies for these grants.

A large number of businesses are having their Business Rates bill for 2020/21 wiped out, and smaller businesses may be eligible for cash grants of £10,000 or £25,000 from their local authority. Don't be caught out by scammers, as all the Government grant money will come through either HMRC or the local authority you pay business rates to. Don't click on links in any unsolicited communications.

If you are renting your home or business premises and are having difficulty in paying your rent, you should speak to your landlord. The law has been changed to require the landlord to give you at least three months' notice to leave the property. All current court proceedings concerning evictions have been paused.

If you are worried that your business has more outgoings than sales and is heading for bust, any of these measures may be able to help you. Also, the Government has temporarily changed the rules on wrongful trading to allow companies to pay staff and suppliers even if the directors fear this could mean the company is made insolvent. Your creditors will not be able to force your business into administration or liquidation for a temporary period during the pandemic. •

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**2 June 2020**

# 1 Grants for employers

The Coronavirus Job Retention Scheme (CJRS) provides grants to employers to cover most of the costs of paying employees who are "furloughed", i.e. employed but not working. The aim of the CJRS is to allow the employer to retain employees who will be needed when the business begins to rebuild in the future (when the pandemic has eased), and to avoid having to make those employees redundant. Any UK employer, whether small or large, charitable or non-profit, can utilise the CJRS.

The first CJRS covers periods of furlough from 1 March to 30 June 2020. A revised flexible CJRS will run for periods from 1 July to 31 October 2020, but the conditions will be varied each month as indicated below.

### What furloughed employees can do


Furloughed employees must not work for the employer while they are furloughed, but they can undertake training.

The employee must agree to be furloughed, and the employer must communicate to each furloughed employee in writing that they are furloughed, and obtain their agreement to any reduction in their contractual wages. A copy of this communication should be kept by the employer for 5 years.

An employee does not have to accept furlough if offered, but the employer could make the employee redundant instead, as long as the appropriate employment law procedures are followed.

While employees are on furlough, they are not working, so the National Living Wage (NLW) does not apply during that period. Thus, if their pay is reduced to a level below the NLW or (where appropriate) National Minimum Wage rate while on furlough, that is permitted. However, time spent training or on annual leave must be paid at normal contractual rates, even when furloughed.

When an employee is first placed on furlough, that initial furlough period must last for at least three weeks. However, after three weeks on furlough staff can be brought back to work, for example to replace those still working who later become sick.

### Eligible employees

A CJRS claim can be made for employees who have been furloughed for at least three weeks, including all of the following:

- Those on unpaid leave as long as that leave started after 28 February 2020
- Apprentices (but note the guidance on training)
- Agency workers, including those employed by umbrella companies
- Those on zero-hours or fixed-term contracts
- Salaried members of LLPs
- Those subject to off-payroll rules in the public sector, classified as "deemed employees"
- Employees transferred into the current employment via a TUPE arrangement after 19 March 2020
- Nannies and domestic staff

Those made redundant after 28 February 2020 but who have been re-employed by the same employer, even if after 19 March 2020, can also be furloughed.

Employees with more than one employment can be furloughed by one employer and continue to work for and get paid by their second employer.

In addition, the following employees may be brought on to furlough and be eligible for the grant:

- Those returning from maternity, paternity or adoption leave
- Those returning from sick leave

The CJRS grant does not cover SSP, but furloughed employees can be moved on to SSP.

### CJRS to 30 June 2020

The CJRS is available for any employee who was on the payroll by 19 March 2020 and was reported to HMRC as an employee on an RTI submission by that date.

The furlough period can begin from 1 March 2020 (i.e. be backdated) and the grant will be available to cover wages paid to furloughed employees for periods until the end of June.

The grant covers for each employee:

- 80% of the regular wage (capped at £2,500) per month; plus
- related employers' National Insurance Contributions (NIC); and
- minimum auto enrolment employer pension contributions on that wage.

This gives a maximum grant per employee per month of (using 2020/21 rates) £2,500 + £244 (employers' NIC) + £59 (pension contribution) = £2,803.

Claims should be made from the date the employee finishes work and starts furlough, not when the decision is made.

The employer must submit a CJRS claim for a furlough period ending on or before 30 June, before it is permitted to claim under the CJRS for periods from 1 July onwards.

### CJRS from 1 July 2020

No new employees can be furloughed from 1 July 2020 and no new employers can use the CJRS from that date. Where an employee has not been furloughed so far, they must start their first period of furlough by 10 June 2020 in order to complete 21 days of furlough by 30 June 2020.

The maximum number of employees included in a claim from 1 July onwards cannot exceed the number of employees that employer included in any CJRS claim for periods up to 30 June 2020.

The scheme will allow far more flexibility to permit employees to be furloughed for any length of time, even down to a few hours. The maximum pay while on furlough will be prorated down from £2,500 per month according to the amount of time the employee spends on furlough. For example, an employee who is furloughed for 40% of his normal working time, can be paid maximum furlough pay of £1,000 per month (£2,500 x 40%).

From August, any furloughed employee must still receive at least 80% of their normal regular wage, but any employer using the scheme will have to make a contribution to furloughing costs, as follows:

- **August** – Government pays 80% of normal wages, up to £2,500 per month, but employer must pay employer NIC and pension costs on this amount
- **September** – Government pays 70% of normal wages, up to £2,187.50; employer must pay 10%, plus all the employer NIC and pension costs.
- **October** – Government pays 60% of normal wages, up to £1,875; employer must pay 20% plus all the employer NIC and pension costs

### Administration of the scheme

HMRC opened its online service to receive CJRS grant applications on 20 April. The funds should be paid to the employer six working days after application. The delay between application and payment is to allow HMRC to undertake checks to prevent fraud.

To access the grant the employer must have a PAYE online account, but we can submit a grant application on your behalf, as your tax agent, if you have authorised us to act for you for PAYE matters.

For each grant application, the following information is required:

- Number of employees included
- Name and National Insurance number of each employee
- Payroll number of each employee – or some other identifier
- Employer's PAYE reference number
- Employer's UTR number for business or company, or company registration number
- Start date and end date of the claim period
- Amount claimed (there is an online calculator to help with this)
- UK bank account number, sort code, address and postcode associated with the bank account
- Contact name and phone number.

When the claim covers 100 or more employees the details can be uploaded on a spreadsheet, in other cases each employee's details must be manually entered online.

If you make an error in the CJRS claim, do not attempt to correct this in the next period's claim as that will make the figures wrong for both claims. HMRC will review the claims and get in touch to correct any mistakes at a later date

### What is not covered by the CJRS

The following amounts should not be included in a CJRS claim:

- Any SSP paid to the employee
- Any employers' NIC covered by the Employment Allowance
- Any Apprenticeship Levy due
- Pension contributions paid in excess of the minimum auto enrolment employer contribution

If the employee has opted out of the pension scheme there are no employer pension contributions to claim for.

Student loan repayments must be deducted from the employee's wages and paid over, as normal.

### Employee's "regular wage"

#### Example 1

Isolator Ltd employs Eric, who has opted out of auto enrolment, at a salary so £2,000 per month.
Eric currently receives net pay of £1,664, after deducting PAYE of £191 and employee's NIC of £145.
Isolator Ltd pays employers' NIC of £175.
The available monthly grant until July for the employer is the lower of

a) 80% of £2,000 = **£1,600**, and
b) £2,500 plus employers' NIC on this amount (£120)

So, Isolator Ltd claims a grant of £1,600 plus £120 = £1,720.
The net amount of cash required by Isolator Ltd to furlough Eric, based on maintaining the existing salary, is £2,000 + £175 - £1,720 = **£455 per month**.

For full-time and part-time employees, the base for the 80% calculation is the employee's actual salary as of 28 February 2020.

For employees whose pay varies, HMRC guidance advises the following:

- 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 earnings from the previous year, or average monthly earnings for the year.
- If the employee has been employed for less than a year, claim for an average of their monthly earnings since they started work.
- If the employee has been employed for less than a month, prorate their earnings so far to claim.
- Past overtime and compulsory commission payments are included.
- Fees paid to agencies, discretionary commission, non-cash payments, bonuses and tips are excluded.

**Example 2**

Seesaw Ltd employs Greta, who has opted out of auto enrolment, at a salary of £3,250 per month.
Each month, Greta currently receives net pay of £2,513, which is after deducting PAYE of £442 and employee's NIC of £295. Seesaw Ltd pays employers' NIC of £347.
The available monthly grant until July for the employer is the lower of
a) 80% of £3,250 = £2,600, and
b) **£2,500** plus employers NIC, £244, on this amount
So, Seesaw Ltd claims a grant of £2,500 plus £244 = £2,744.
The net amount of cash required by Seesaw Ltd to furlough Greta, based on maintaining the existing salary, is £3,250 + £347 - £2,744 = **£853 per month**.

### Making up regular pay

The employee should be paid at least 80% of their "regular wage" while furloughed. There is no requirement for the employer to 'top up' the furlough pay to 100% of the regular pay, although some employers will do so. However, it is likely that the employee's contract of employment will require the full salary to be paid, unless the employee and employer agree to a different arrangement during the furlough.

From August 2020 onwards, the CJRS grant will not cover the full costs of furloughing the employees (see above). However, employees must still receive 80% of normal pay while on furlough. Employers are not permitted to change the employee's terms and conditions to reduce their pay to the levels of support provided by the CJRS grant.

### Owner-managed companies

**Example 3**

Louise is the managing director and majority shareholder in her company. She pays herself £12,500 per year. Her husband (who is also a director) and son also work part-time for the company, earning £10,000 a year each.

Providing all the necessary procedures are gone through to furlough them (e.g. amendment of contract terms, recording the decision of the company's board to furlough), there seems to be no reason why Louise's company could not claim grants to get reimbursement of 80% of the wage costs of all three family members. Louise and her husband must only undertake duties to fulfil their statutory obligations as company directors and must not generate any income for the company while on furlough.

Many director/shareholders pay themselves a small salary and take the balance of their income as dividends from their companies. The CJRS does not cover the payment of dividends; only the salary paid under PAYE is eligible for the grant.

Directors of their own companies can be furloughed, but they must not provide any services to or on behalf of the company, or generate any income for the company or any connected business while they are furloughed. Directors can undertake statutory duties while furloughed that would reasonably be judged as necessary, such as submitting statutory returns and supplying information to HMRC.

Directors who control their company should not operate the company's business as a self-employed trade while furloughed, as that self-employed business would be connected to the company and break the "no working" furlough conditions. Directors are not eligible for help under the Self-employment Income Support Scheme (SEISS).

### Job sharing

The impact on job sharing employees will be a matter both for negotiation with staff and employment law.

### Salary sacrifice

Where a salary sacrifice scheme is in place, employees cannot normally move freely in and out of that scheme, as a change in contract terms is required first. However, HMRC has agreed that the coronavirus is a "life event" that allows the employee to move out of the salary sacrifice scheme. This is particularly important for schemes involving pension contributions. Employees can choose to have a higher percentage of their contracted earnings paid as pension contributions while on furlough.

### CJRS grant is taxable

The amounts paid to an employee on furlough are deductible for tax purposes by the business (as normal) and the CJRS grant is taxable income of the employer. Where the employer is not a business, such as an individual employing domestic staff, the CJRS grant will not be treated as taxable income.

## 2 Grants for the self-employed

The Government is providing two tranches of grants under the Self-employment Income Support Scheme (SEISS) for self-employed individuals and partners whose businesses have been adversely affected by the COVID-19 pandemic.

Each grant is payable for three months, paid in one lump sum directly into your bank account, within six working days of HMRC accepting your claim.

### Grant 1

The first SEISS grant pays 80% of your average monthly profits, as calculated from your tax returns, up to £2,500 per month. The grant application process opened on 13 May 2020 and you need to submit your claim before 13 July 2020 to receive this grant.

### Grant 2

This second SEISS grant will pay 70% of your average monthly profits, as calculated from your tax returns, up to £2,190 per month. The grant application process will open in August 2020, but the exact timing hasn't been announced yet.

### Who qualifies?

To qualify for an SEISS grant you need to meet all of these conditions:

- you registered with HMRC as self-employed and submitted a tax return declaring your self-employed income for the tax year 2018/19 by 23 April 2020. If you were subject to the "disguised remuneration" loan charge and have extra time to submit your tax returns, you can still qualify for this grant if you have submitted your tax return for 2017/18.
- your taxable profits for 2018/19 do not exceed £50,000 but are more than nil, or your average annual taxable profits for the three years to 2018/19 do not exceed £50,000 but are more than nil.
- you received at least half of your annual taxable income from self-employment for 2016/17 to 2018/19 (or those years in which you were self-employed).
- you were in business as a self-employed individual or partner in 2018/19 and 2019/20
- you expect to continue to trade in 2020/21, or will resume trading when the COVID-19 disruption is over

**This scheme will not cover anyone who started trading on or after 6 April 2019.**

This grant is not available in respect of income from letting property, including letting furnished holiday accommodation.

You can check whether you are eligible to receive a SEISS grant by using the online checker: tinyurl.com/SEISSelig, or we can do this for you.

### How to apply

We can't make the grant applications on your behalf, as HMRC has not provided access to the application process for Tax Agents, but we can support you by checking the calculations of the grants awarded.

To make a claim for the SEISS you need:

- your National Insurance number.
- your self-assessment UTR number.
- Government gateway ID and password; there is an option to create a government gateway account as part of the application process if you don't already have one.
- the bank account number and sort code for the account into which the grant will be paid.

You also need to confirm to HMRC that your business has been adversely affected by coronavirus. However, that can be anything from a dip in sales or a disruption to your supply chain, up to a temporary closure.

### How is the grant calculated?

HMRC will work out how much grant you will receive based on your tax returns for the three years 2016/17 to 2018/19. You do not need to submit any figures to HMRC.

Any amendments made to your tax return after 6pm on 26 March 2020 will be ignored by HMRC for the purpose of calculating the grant or your eligibility for the grant.

If you started trading within the three years to 5 April 2019, HMRC will only use the years for which you traded to calculate the grant.

The amount used by HMRC to calculate the grant is your gross profit less:

- allowable expenses as claimed on your tax return.
- the trading allowance (if claimed).
- capital allowances relating to your trade, as claimed.
- trading losses incurred in the three-year period: 2016/17 to 2018/19.

The profit calculation does not take into account:

- Averaging claims by farmers, authors or creative artists.
- Losses brought forward from years before 2016/17, or losses carried back from 2019/20.
- Deduction of your personal allowance.

Individual members of partnerships and LLPs can make claims for this grant on an individual basis. HMRC will look at the partner's share of the partnership profits to determine if the partner qualifies for the grant and how much they will get.

If you have taken a break from your self-employed trade for parental leave, you may still qualify for the grant, as HMRC treat this parental leave period as if you were trading.

If you work through your own company you won't qualify for a SEISS grant , but you may qualify for a CJRS grant to replace your own wages taxed under PAYE, up to a maximum of £2,500 per month for periods up to 31 July 2020 (see above).

## 3 Deferral or reduction of Income Tax

The next big Income Tax payment deadline is 31 July 2020.

If you pay at least £1,000 of tax with your self-assessment tax return, the payment due on 31 July is half of your estimated tax bill for 2019/20. But this year you can defer that payment until 31 January 2021, without being charged interest for late paid tax!

You don't have to apply to HMRC, as it won't be demanding the tax due. However, if you normally pay your Income Tax by direct debit, you should cancel that direct debit with your bank, as HMRC can't do that for you. If the direct debit remains in place, the tax will be collected as shown on your tax statement.

This tax payment deferral applies to anyone who has to make a payment of Income Tax on account by 31 July 2020, including employees who need to pay tax on other income such as rent or dividends.

If you don't want to delay paying the tax due on 31 July, you don't have to, you can pay by electronic transfer or direct debit as normal. Paying the tax now will avoid a larger amount becoming due by 31 January 2021.

Where your income for 2019/20 is likely to be much lower than for 2018/19, you can ask HMRC to reduce the tax payable for 2019/20 through your personal tax account, or we can do this for you. Where your income has dropped considerably, you may be able to get a repayment of some of the tax paid on 31 January 2020.

If you pay your tax by weekly or monthly amounts to HMRC through a budget payment plan, you should contact HMRC and ask for the payment plan to stop, or even request a refund.

If the disruption to your business means you have made a loss for 2019/20, you may be able to claim a refund of tax paid for 2018/19 by setting that loss against your profits for that earlier year. To do this we need to prepare your accounts on the accruals basis, rather than the cash basis that some businesses normally use.

We would also encourage you to send us your tax records as soon as possible, so your tax return for 2019/20 can be submitted without delay.

## 4 Deferral of VAT

All VAT-registered businesses can enjoy an automatic deferment of their VAT payable in the period from 20 March to 30 June, to help them manage cash flow during the pandemic.

The VAT eligible for deferment will be that reported on VAT returns for the quarters to: 29 February, 31 March and 30 April 2020, plus monthly returns, annual accounting advance payments and payments on account. The deferment does not cover VAT due for VAT MOSS or import VAT.

The VAT that is deferred will have to be paid to HMRC on or before 31 March 2021. HMRC will issue guidelines about making this payment nearer that date. HMRC will not charge interest on the deferred VAT payments and default surcharges will not be charged for late payments due before 30 June 2020.

You do not have to take up the option of deferring VAT due; you can pay as normal if you wish.

Where your business pays VAT by direct debit (DD), you would have had to cancel that DD in order to take advantage of the VAT deferment. This needed to be done at least 5 working days before the payment is due to be taken. HMRC cannot cancel the DD from their end, and the VAT reported on the VAT return will be taken automatically if the DD is not cancelled.

HMRC may extend the deferral period if the lockdown continues for some months, so don't be in a rush to reinstate your DD.

If you normally pay your VAT by electronic transfer, you can simply not make the payment due in the period to 30 June. You don't have to inform HMRC why the payment is not made.

You must still submit your VAT return on time, using MTD compatible software where appropriate. All businesses where VATable turnover is above the compulsory registration threshold must now be submitting VAT returns with MTD compatible software.

The MTD regulations also require the business to keep their VAT accounts in a digital format and transfer accounting information within the business via digital links and not manually. The use of digital links will not be compulsory until April 2021.

Where your business is due a VAT repayment, it is important to get your VAT return in on time, as the repayment to your business will be accelerated.

## 5 Sick pay support for employers

Statutory sick pay (SSP) must be paid by employers to those of their employees who qualify by meeting two conditions:

- average earnings of at least £120 per week (£118 before 6 April 2020); and
- unable to work due to sickness

Where employees are affected by COVID-19, they are eligible for SSP from the following dates:

- 13 March 2020 – when suffering from COVID-19 symptoms, or because they are self-isolating as someone in their household has symptoms of COVID-19
- 16 April 2020 - when 'shielding' under public health guidance measures
- 28 May 2020 – when required to self-isolate, as they have been contacted under the test and

trace process.

SSP is normally payable from the fourth day the employee is unable to work, at the rate of £95.85 per week (£94.25 before 6 April 2020), prorated per day. However, for COVID-19 related absences only, employers must pay SSP from the first day the employee is unable to work, rather than from the fourth day. Where employees are absent due to another type of illness, SSP is still only payable from the fourth day the employee is unable to work.

Employees can self-certify absences of up to seven days. To relieve burdens on GPs, from 20 March 2020 people can obtain an 'isolation note' by visiting https://111.nhs.uk/ and completing an online form. This replaces the 'fit note' employees are normally required to produce for absences from work that exceed seven days.

Employers should maintain records of staff absences and payments of SSP, which is treated as part of normal pay and is taxable. It should be paid through the payroll, and subject to PAYE and NIC as appropriate.

From 26 May 2020, eligible employers can reclaim up to 14 days of the SSP paid to employees for COVID-19 related absences, but any SSP paid for other reasons can't be reclaimed. The employer must meet all these conditions:

- have fewer than 250 employees on all the PAYE schemes it runs on 28 February 2020
- not be in financial difficulty on 31 December 2019
- not break the state aid limits by claiming the SSP refund – which is classified as state aid.

The refund must be claimed by 25 May 2021 or one year from the last qualifying day in the period of incapacity for work, whichever is the later.It is not possible to make a claim under the CJRS and the SSP rebate scheme for the same employee for the same period.

## 6 More time to pay taxes

The Government has introduced an immediate deferral of upcoming Income Tax and VAT payments (see sections 3 and 4 respectively) but the other business taxes such as PAYE and Corporation Tax remain payable on the due dates.

HMRC is willing to enter 'Time to Pay' (TTP) arrangements where businesses or individuals are struggling to pay tax bills on their due dates. There are no set rules, as each TTP agreement is arranged on a bespoke basis. However, HMRC must be confident that the arrears will eventually be paid; it will not enter a TTP agreement if it thinks that the taxpayer will never be able to pay the arrears of tax.

Generally, TTP arrangements involve tax liabilities being deferred, without penalties, and paid over a period of up to a year, with fixed, agreed repayment schedules. It is imperative that the payment dates are not missed. If they are, the TTP arrangement is likely to be ended by HMRC, with the full amount of tax outstanding becoming immediately due and, potentially, penalties may be payable.

TTP arrangements lasting over a year are only agreed in exceptional circumstances, although the coronavirus pandemic may mean that HMRC will be more amenable to such longer scheduling of repayments.

In the current situation, all businesses and self-employed people in financial distress with outstanding tax liabilities may be eligible to receive support.

You are eligible to apply for TTP if your business pays tax to the UK Government and has outstanding tax liabilities. If you have missed a tax payment or you might miss your next payment due to COVID-19, you can call HMRC's dedicated helpline: 0800 024 1222 for practical help and advice.

If you're worried about a future payment, HMRC has requested that you call them nearer the time.

## 7 Business rates holiday

If your business occupies premises in England in any of the following sectors, you are entitled to a business rates holiday on your entire business rates bill for 2020/21, whatever the size of your business premises:

- Retail, including all types of shops: opticians, post offices, car and caravan showrooms, petrol stations, car hire, garden centres, hairdressers, beauty salons, nail bars, travel agents, dry cleaners, funeral directors, letting agents and estate agents.
- Hospitality, including: restaurants, cafes, takeaways, sandwich shops, pubs, bars, and live music venues.
- Leisure, including: cinemas, hotels, bed and breakfast or self-catering accommodation, caravan parks, theatres, museums, art galleries, stately homes and historic houses, nightclubs, tourist attractions, gyms, casinos, bingo halls, sport grounds and sports clubs.
- Child nurseries

If you have closed your building temporarily because of the COVID-19 pandemic it will still be treated as occupied for the purpose of this relief.

You should not have to do anything to enjoy this business rates holiday, as your local authority will automatically reissue business rates bills for 2020/21. If you have any questions about this business rates holiday, contact the local authority which issues the business rates demands.

Sectors which do not qualify for a business rates holiday on their business premises are:

- Medical services, including: doctors, dentists, vets, osteopaths, chiropractors
- Professional services, including: solicitors, accountants, insurance agents and financial advisers
- Financial services, including: banks, building societies, loan providers, cash points and bureaux de change.

As business rates are a devolved tax, the details of business rates discount schemes or holidays for premises in Scotland, Wales, and Northern Ireland may differ in those regions – see section 13.

## 8 Grants based on rateable values

Small businesses who pay business rates may receive a grant from their local authority to help them through the COVID-19 pandemic. There are two levels of grant: £10,000 and £25,000.

Businesses other than childrens' nurseries that qualify for the business rates holiday described above will receive a grant of £25,000 where the business premises has a rateable value of between £15,000 and £51,000. Where the business premises has a rateable value of less than £15,000 the business will receive a cash grant of £10,000.

Businesses in England that qualify for small business rates relief, or rural rates relief, are eligible for a grant of £10,000.

In addition, local authorities in England can make discretionary grants to small businesses that have fewer than 50 employees, and who don't qualify for any of the other grants described above. These discretionary grants may be paid at levels of £25,000, £10,000, and variable amounts of less than £10,000. The purpose of these discretionary grants is to support businesses such as those in shared workspaces, regular market traders, bed and breakfast, and small charities, all of whom who don't pay business rates but do have other property costs to pay.

Where the business is located in England and does pay business rates, it doesn't have to apply for a grant as the local authority will write to the businesses concerned. If the business doesn't pay business rates it should contact its local authority for a discretionary grant.

Where the business is located in Scotland, Wales or Northern Ireland different funding schemes are in place and the business may have to apply for the grant funding – see section 13.

## 9 Loans for businesses

Even where a business is able to access one or more of the coronavirus schemes made available by the Government (e.g. a grant under the CJRS to cover wages), there may be a significant time lag in that help being delivered. In the meantime, with a big drop in income occurring, the business may not have the funds to meet its ongoing costs.

In order to help businesses through this difficult time, the Government has launched three different loan schemes to help small, medium-sized and larger businesses.

### Bounce Back Loans to micro and small businesses

The Bounce Back Loan Scheme opened on Monday 4 May, to provide loans of between £2,000 and £50,000 to businesses who apply online. No repayments will be required in the first 12 months and the Government will also cover any fees and interest accruing in that first year. The interest charged on these loans will be set at 2.5% p.a. and the term of the loans will be up to six years. However, most lenders are expected to permit early repayments.


The loans are 100% backed by a Government guarantee, so there is no need for the business owner to provide collateral or to prove that the business will be viable once the coronavirus crisis is over. However, the loans will be provided by the banks, not directly by the Government, so how quickly the money can flow out to businesses will depend on the efficiency of the back-office processes of the lenders concerned.

You should apply directly to you own bank for the Bounce Back Loan and the bank should then provide a simple, short online application form. You will be asked to provide details of your turnover for the period that ended in the year to 31 March 2020, but you can estimate that figure. The amount you can borrow is capped at the lower of 25% of your annual turnover and £50,000.

You also need to confirm that your business was not in financial trouble at 31 December 2019, and that you haven't be given a loan under one of the other coronavirus loan schemes (discussed below). If you have received a loan of up to £50,000 under the CBILS (see below) you can apply before 4 November 2020 to transfer it into the Bounce Back Loan Scheme.

The Government hopes that small businesses will take up this Bounce Back Loan in large numbers, to avoid failure due to running out of cash.

### Loans for small and medium sized businesses

Coronavirus Business Interruption Loan Scheme (CBILS) is delivered by the British Business Bank. It is a temporary scheme to support primarily medium-sized businesses in accessing bank lending and overdrafts.

The Government will provide lenders with a guarantee of 80% on each loan (subject to a per-lender cap on claims) to give lenders confidence in continuing to provide finance to SMEs. The Government will not charge businesses or banks for this guarantee.

### Eligibility and terms

The scheme will support loans of up to £5 million, with repayment terms of up to 6 years. Businesses can access the first 12 months of that finance interest-free and charge-free, as the Government will cover the first 12 months of interest payments and any lender-levied charges.

The loans can be in the form of term loans, overdrafts, invoice finance or asset finance.

You are eligible for the scheme if your business meets all of these criteria:

- is UK based
- has turnover of up to £45 million per year
- has been adversely affected by the coronavirus pandemic

**The borrower remains fully liable for the debt,** but there will be no personal guarantees required as security for loans of up to £250,000. Personal guarantees may still be required, at a lender's discretion, for facilities above £250,000, but they exclude charges on the owner's main home. Recoveries under these guarantees are capped at a maximum of 20% of the outstanding balance of the CBILS facility, after the proceeds of business assets have been applied

For all facilities, including those over £250,000, CBILS can now support lending to smaller businesses even where a lender considers there to be sufficient security, making more smaller businesses eligible to receive the Business Interruption Loan.

### How to access the scheme

The full rules of the scheme and a list of accredited lenders is available here: https://tinyurl.com/ujhq5k9.

All the major banks are offering the scheme and there are 40 accredited providers in all, which include high street banks, challenger banks, asset-based lenders and smaller specialist local lenders.

You should talk to your bank or finance provider (not the British Business Bank) as soon as possible and discuss your business plan with them. If one lender turns you down, you can still approach other lenders within the scheme.

Although this scheme provides an attractive option for helping with cash flow, many businesses will be wary of taking on extra debt in these uncertain times, when they cannot even be sure when their business will be fully operational again.

If you have an existing loan with monthly repayments, you may want to ask for a repayment holiday to help with cash flow, before accessing more loan finance.

### Business with turnover of £45m - £500m

This loan scheme is for businesses with revenue over £45m, which are too large to apply for the CBILS and too small for a government debt-buying programme for larger companies.

The new Coronavirus Large Business Interruption Loan Scheme (CLBILS) will also provide a government guarantee of 80%, enabling banks to make loans of up to £25m to firms with an annual turnover of between £45m and £250m. Where turnover is above £250m, loans of up to £50m may be made.

## 10 Protection for tenants

### Commercial properties

Many tenants of commercial buildings will have missed the payment of rent due on 25 March and may be unable to make payments in forthcoming quarters. These tenants will be worried about being evicted.

### New protection

Under the Coronavirus Act 2020, from 26 March 2020 no business will be forced out of their premises if they miss a rent payment before the end of June. This means that landlords will not be able to exercise any right of forfeiture on tenants that cannot pay rent during this period. Commercial tenants will still be liable for the rent arrears after this period ends though.

The Government has said that it will actively monitor the impact on commercial landlords' cash flow.

Clearly, this measure will ease immediate cash flow problems for tenants. However, as the tenant will still be liable for the rent, this arguably is only delaying the problem rather than solving it.

### Who is affected?

This applies to all commercial tenants of leases in England, Wales and Northern Ireland. It is expected to last until 30 June 2020 but could potentially be extended if deemed necessary.

### Residential properties

From 26 March 2020, landlords must give their tenants three months' notice that they want to end the tenancy. This means the landlord can't apply to the court to start an eviction process until after this three-month period.

This protection covers most tenants in the private and social rented sectors in England and Wales, and all grounds of evictions. The extended notice period will remain in place until 30 September 2020, and may be extended if need be.

All ongoing housing eviction actions in the courts are suspended and will not resume until the end of June 2020 at the earliest. This will protect all private and social housing tenants, as well as those home owners with mortgages which are in default.

### Mortgage protection

Mortgage lenders have agreed to offer payment holidays of up to three months where this is needed due to COVID-19 related hardship, including for buy-to-let mortgages. The sum owed remains payable and mortgages continue to accrue interest during this period. Where a three-month mortgage holiday is already in place, the borrower can ask their lender to extend the mortgage holiday for a further three months.

Where a tenant is unable to pay their rent, the landlord should discuss this with their lender, with a view to putting a mortgage payment holiday in place. Landlords who take mortgage payment holidays are expected to pass on this relief to their tenants. There is currently a ban on repossession of homes which will remain in place until 31 October 2020.

### Have a conversation

In these unprecedented times, landlords who seek to exercise a right of forfeiture (once they are able to) on a tenant may find a lack of new tenants ready and waiting to enter into leases. Whether you are a landlord or a tenant, it is clearly sensible to try to communicate in a constructive way and try to find mutually agreeable terms on which the relationship may continue, without causing undue hardship to either party.

## 11 Cancelling your VAT registration

If your business has stopped making sales, it is tempting to deregister for VAT as soon as possible, but that is not necessarily the best thing to do.

If your trade has diminished due to the COVID-19 shutdown, but you are still making some sales (perhaps only home deliveries), you can ask HMRC to cancel your VAT registration if you believe your total VATable sales in the next 12 months will be less than £83,000. However, once you have deregistered, you will not be able to reclaim VAT on any business purchases you make.

Where you have suspended all of your trading for 30 days or more, but do expect to resume trading again, HMRC will not cancel your VAT registration,

even if your sales for the next 12 months are expected to be less than £83,000.

If you believe your business has ceased to trade completely and you will not be able to operate again, you should ask HMRC to cancel your VAT registration from the last day of trading. You can do this using form VAT 7, or we can help you. There is some flexibility in the day you choose to cancel your VAT registration as you may want to reclaim VAT on some final invoices you receive.

When you deregister for VAT, you need to take account of the value of stock and fixed assets you have on hand on the last day of VAT registration. If you have reclaimed VAT on those items, you may have to repay some or all of that VAT to HMRC. Where the total VAT on these stocks and assets is less than £1,000 it is ignored.

A similar problem can arise if you own a commercial property on which you paid VAT and reclaimed it through your business.

Don't rush into VAT deregistration, talk to us first to understand the full implications.

## 12 Claiming Universal Credit

If you don't qualify for a Government grant under the Self-employed Income Support Scheme (SEISS), or your employer has stopped paying your wages, you should consider claiming Universal Credit.

This is a state benefit which is gradually replacing all current claims for Working and Child Tax Credits, but it also covers Housing Benefit and Jobseeker's Allowance.

You can claim Universal Credit if you are under state pension age and living in Great Britain. The initial claim is made online (www.gov.uk/apply-universal-credit), but if you are claiming as a self-employed person you will also need to attend an interview with a work coach. However, during the Coronavirus shutdown this interview will be conducted by telephone.

The amounts paid under Universal Credit were increased from 6 April 2020 by £20 per week. All self-employed claimants are normally assumed to make a minimum amount of income from their business, which is referred to as the 'minimum income floor'. However, this minimum has been temporarily suspended for all claimants affected by the coronavirus shutdown.

This means that every self-employed person can now access Universal Credit at a weekly rate equivalent to Statutory Sick Pay received by employees.

The Universal Credit claim will be paid in respect of the first day of the claim, but the money may still take up to five weeks to start to arrive. In this period you can apply for an advanced payment, which will be deducted from the benefit when it does arrive.

## 13 Business rates and grants: Regional variations

### Scotland

**Business rates**

Businesses in the retail, hospitality and leisure sectors, plus Scottish airports and handling services for scheduled passenger flights, qualify for a 100% business rates holiday for 2020/21. The local authority will automatically apply this relief to business rate bills; no application is required. In addition, 1.6% rates relief applies to all non-domestic properties across Scotland.

**Business grants**

Businesses in the retail, hospitality and leisure sectors can apply for a grant of £25,000 if their business premises has a rateable value of between £18,001 and £51,000. Businesses in these sectors that trade from properties with rateable value not exceeding £18,000 can apply for a £10,000 grant.

In addition, all businesses in any sector in Scotland can qualify for a grant of £10,000 if they also qualify under one of these schemes:

- small business bonus scheme relief
- rural relief
- nursery relief
- business growth accelerator relief
- disabled relief

- fresh start
- enterprise areas relief
- discretionary sports relief
- charitable rate relief

Businesses that let self-catering accommodation for 140 days or more a year, where that income makes up at least one third of the ratepayer's annual income, can also apply for a £10,000 grant.

Individuals who started their self-employed trade after 5 April 2019 and don't qualify for the SEISS grant can apply for a hardship grant of £2,000.

**Applying for a grant and getting paid**

To apply, you'll need to complete an application form. You can find this form on your local council website. Councils will aim to make payment within 10 working days of receiving a grant application form.

## Wales

**Business rates**

Unlike in England, where there is no upper limit on the rateable value of a property which qualifies for the business rates holiday, only properties in the retail, leisure and hospitality sectors with a rateable value of £500,000 or less will qualify for the relief for the financial year 2020/21.

The business does not have to claim the business rates relief, as the local authority will write to those who qualify.

**Business grants – based on rateable value**

Businesses that qualify for the business rates holiday described above can apply to their local authority for a grant of £25,000 if their business premises has a rateable value of between £12,001 and £51,000.

Where the business premises has a rateable value of £12,000 or less and the business is eligible for small business rates relief, it can apply to the local authority for a cash grant of £10,000. This grant can be paid to businesses operating in any sector.

The application for these grants must be submitted before 5pm on 30 June 2020.

**Economic Resilience Fund**

Businesses can also benefit from:

- grants of £10,000 for micro-businesses employing up to nine people. This includes sole traders employing staff. Qualifying businesses have been able to apply from mid-April.

- grants of up to £100,000 for small and medium-sized firms with between 10 and 249 employees. Qualifying businesses have been able to apply since mid-April.
- support for larger Welsh companies, which are of critical social or economic importance to Wales.

The Economic Resilience Fund has been paused while the Welsh Government assesses the large number of applications received.

## Northern Ireland

**Business rates**

All private businesses in Northern Ireland, except for utilities, have been given a four-month business rates holiday for the period from 1 April to 31 July 2020.

In addition, hardship rates relief is available to any business which is suffering from a temporary crisis. This relief must be applied for.

**Business grants**

Any small business which is eligible for the Small Business Rate Relief scheme (SBRR) or industrial derating is eligible for a grant of £10,000. The SBRR applies to occupied business premises with a rateable value below £15,000. Where the business pays its rates by direct debit the grant will be paid automatically; in other cases it had to be applied for by 20 May.

Another grant of £25,000 is provided to companies in the hospitality, tourism, leisure and retail sectors with a rateable value from £15,000 up to £51,000. The business had to apply for this grant before 20 May.