



EC NEWSLETTER

11 MAY 2020

Open for Business

We are operating at a near normal level with Partners & Staff working from home. There are short visits to the office twice weekly to open the post & give clients the opportunity to drop off records. The telephone is being handled during the usual office hours 9am to 5.15pm Monday to Friday.

Self Employed Income Support

The government has now announced the following details for income support for the self employed:-

Eligible Taxpayers: Sole traders or partners who traded in the 2018/2019 (and have filed their self assessment return for that year by 23 April 2020) and 2019/20 tax years, intend to continue to trade in the current tax year, and

- their business has been adversely affected by coronavirus,
- earn at least half of their income through self-employment,
- have trading profits of no more than £50,000 per year, and
- are trading when they apply, or would be except for coronavirus.

How Much Will Be Received? A taxable grant worth 80% of the individual's average trading profits (maximum £7,500), equivalent to three months' profits, paid in a single instalment, calculated automatically by HMRC.

How can Edmund Carr assist? Unfortunately, taxpayers' agents are not currently able to make SEISS applications for clients. However, we are able to assist with your application and the steps in the process are as follows:-

HMRC contact taxpayers it thinks are eligible to claim: This commenced on 4 May 2020 either by email, SMS or letter if it holds neither of the former. Taxpayers should guard against scams; in particular, emails or SMS messages purporting to be from HMRC that contain an active link are scams.

If you think you are eligible and have not been contacted by HMRC by 11 May with a date to apply, please contact us and we will explain how to use the HMRC eligibility checker at; <https://www.gov.uk/guidance/claim-a-grant-through-the-coronavirus-covid-19-self-employment-income-support-scheme#eligible>

The information to be entered is the self assessment UTR and national insurance number. The HMRC checker confirms eligibility and a date to submit the claim but not the amount of grant available.

Apply, Claim and Payment: The start date for applications is 13 May and these will continue over the next six days. Taxpayers will be advised by HMRC on which date they can make their claim. Where HMRC hold an email address they will contact the taxpayer inviting them to apply. Alternatively, taxpayers can use the eligibility checker to find out whether the application portal is open for them.

Taxpayers then log in to their government gateway account (or select the option to create an account) to complete the application process. If you do not already have a government gateway ID, we recommend you set this up as part of the application process. You will need to have your driving licence or passport to hand to verify your ID.

A detailed calculation of the claim is presented; it is important to print or take a screen shot of this as you may not be able to access it later. Please then refer it to us.

The taxpayer is asked to read and accept the eligibility criteria, complete declarations, including to confirm that the business has been adversely affected by coronavirus, and supply the bank account details into which they would like the grant to be paid.

Those eligible will have the money paid into their bank account by 25 May, or within six working days of completing a claim.

If you think this information might be useful to a friend or colleague, please pass it on.

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Government Support & Bank Loan Schemes

The Government has introduced a range of facilities through deferral of various tax liabilities and supported bank loans to assist businesses who need working capital & for supporting and re-starting their business in the coming weeks.

The two main bank loans schemes are the Bounce Back Loan Scheme (BBLs) and Business Interruption Loan Scheme (CBILs). A business is only allowed to obtain one of the two loans mentioned so it is important that the terms of the loans are fully understood, and the correct choice taken.

Comparison on Commercial Bank Loan Schemes		
	BBLs	CBILs
Borrowing amount	£2,000 to £50,000 (max 25% of Turnover)	£50,001 to £5m in loans/overdraft/invoice & asset finance
Government guarantee	100% of loan	80% of loan
Term	Fixed 6 years	Up to 6 years
Early Repayment	Yes with no penalties	Yes with no penalties
Capital Repayment Holiday	12 months automatic from start	12 months automatic from start
Interest Rate	2.5% fixed	Fixed and variable rates
Interest Rate Payments	First 12 months paid by Government	First 12 months paid by government
Guarantees Required	No personal guarantees required	None if loan is less than £250,000. Above this - required but exclude home and capped at 20%
Lender Information required	Limited – self certification	A range of management accounts, business plan and other documents
Time taken to obtain finance	Quick	May take some time depending on lender

If you would like assistance or advice in choosing the right loan for you, please contact us.

Business Plans, Management Accounts and Cash Flow Forecasts

Now more than ever it is important that every business reviews their requirement to obtain up to date information and insights into their current trading and future cash flows to ensure that they are able to pay wages, suppliers, bank loans and government debts as and when they become due.

Many businesses have taken advantage of deferral of VAT liabilities, also HMRC Time to Pay arrangements together with obtaining bank loans that require repayments.

At this time, it is essential that each business can show that these are affordable, and the timings of cash flow deficits are smoothed out or dealt with well in advance so that relevant supporting finance can be obtained.

We are able to assist in not only preparing historical information required to establish profitability and tax liabilities in the past, but also up to date regular management accounts to provide the basis for decision makers on a timely basis, both now and in the future.

We strongly believe that each business will need to forecast and track its cash flow now and projected in the future, including “What If” options, on a regular basis to establish the impact on its viability given the new operating restrictions we will all be working under.

If you would like assistance in preparing regular, reliable management accounts and cash flow forecasts please contact us to discuss how we can assist.



Furloughing Holiday Pay

Recent legal advice has indicated that staff furloughed on 80% pay (or capped at £2500pm) are entitled to holiday pay at 100% if holidays are taken while in furlough. Where we run your payroll, then in the absence of your instructions we have adjusted salaries down to 80% of normal pay which assumes that employees will not be taking holiday during the furlough period. If you wish to ask your staff to take some of their annual leave while on furlough you must top up for the additional 20%, which is not funded. You are also required to give staff notice which is twice the length of the holiday itself. With regard to bank holidays, if these are included in your staff holiday entitlement under the Contract of Employment, you should either pay the employee in full for a bank holiday that falls during furlough or allow them to take a day's annual leave at a later date. This will not apply where the employee may have to work bank holidays under their Contract in which case a bank holiday will have no effect.

If we handle your payroll, please let us know if you wish to adjust employee pay for holidays taken during furlough. If the April payroll has already been completed an adjustment can be made in May.

We are dealing with furlough claims for most of our clients who have outsourced their payroll to us & our updated engagement terms which incorporate furloughing can be found on our Website.

Company Cars

You may have directors or employees that have been furloughed or are working from home & still have a company car. HMRC are suggesting that a benefit still arises as the vehicle is available for private use during this period even if your director or employee is:

- instructed to not use the car
- asked to take and keep a photographic image of the mileage both before and after a period of furlough
- unable to physically return the car or the car cannot be collected from the employee

This seems totally unreasonable & it may change. We will keep you informed.

Preparing for return to work

We hope that we can all make plans for some normality in the near future & a very useful checklist to prepare for this can be found on our website <https://www.edmund-carr.co.uk/news/newsletters/pdfs/2020/planning-for-the-future.pdf>

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Disclaimer

This newsletter is intended to give general guidance only and no liability can be accepted for any action taken based on the information given.

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