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My Tax Doc Coronavirus Help Guide

HELP AND RESOURCES FOR
BUSINESSES AND THEIR OWNERS

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My Tax Doc
Accountants & Tax Advisors



Introduction

With the recent release of numerous details about government assistance during the Coronavirus pandemic, you may be feeling overwhelmed and uncertain about what you can and cannot claim. We recognise that it can be challenging to make sense of all the information and determine what applies to you. Therefore, we have created this guide to assist you in discovering what you are eligible for.

We have included all of the most up-to-date information in this guide, but please note that new updates are being released frequently. The information in this guide was accurate as of 27.03.20, and we hope you find it helpful.

If you require further clarification or assistance, please don't hesitate to contact us.

Extra help/resources

HMRC has established a dedicated telephone helpline for individuals experiencing financial distress as a result of the Coronavirus pandemic.

The helpline number is 0800 024 1222 and is intended for business owners and self-employed persons who are anxious about paying their taxes. It operates from 8 am to 4 pm, Monday through Friday.

We also have access to an excellent cash flow forecasting software, Float, which seamlessly integrates with your accounting software and allows you to plan your immediate cash flow.

Please let us know if you require more information about this.

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1

Coronavirus Job Retention Scheme (employees)

Note It is important to remember we are not employment lawyers and you should always seek formal legal advice before taking any action.*

1.1 What is it?

In response to the current difficult situation, the government has introduced the Coronavirus Job Retention Scheme (JRS) as a temporary measure to assist employers in retaining their employees rather than resorting to layoffs. Under this scheme, the government will reimburse 80% of the furloughed employees' pay, up to a limit of £2,500 for three months (which may be extended), starting from 1st March.

Full guidance can be found here:

<https://www.gov.uk/guidance/claim-for-wage-costs-through-the-coronavirus-job-retention-scheme>

1.2 Who is eligible?

Eligibility for the scheme is open to all organisations in the UK that have employees, including public authorities, charities, and recruitment agencies.

1.3 Which employees can you claim for?

For an employee to qualify for the scheme, they must have been on your PAYE payroll as of 28.02.20. The scheme covers full-time, part-time, agency workers, and those on zero-hour contracts. Additionally, it also includes individuals who were made redundant since 28.02.20 and subsequently rehired.

1.4 What does furloughed mean?

Furloughing is a term used to describe a temporary layoff of employees. When an employee is furloughed, they are not allowed to carry out any work for the organisation. If an employee is still working in any capacity, they cannot be furloughed. While furloughed, employees can engage in volunteer work or training and should be remunerated accordingly.

1.5 How do I Furlough someone?

Furloughing is a term used to describe a temporary layoff of employees. When an employee is furloughed, they are not allowed to carry out any work for the organisation. If an employee is still working in any capacity, they cannot be furloughed. While furloughed, employees can engage in volunteer work or training and should be remunerated accordingly.

1.6 How much can I claim?

Employers are eligible to receive reimbursement of 80% of their employee's gross pay per month, up to a maximum of £2,500. In addition, employers can also claim back their contributions towards the National Insurance Contributions (NIC) and pension scheme.

1.7 When will I get the money?

A portal is being established by HMRC for submitting furlough claims, which is anticipated to be accessible by the end of April. The following information will be required to make a claim:

- PAYE reference number
- Start and end dates of the claim period
- Number of employees being furloughed
- Amount claimed for a minimum furlough period of three weeks
- Bank account number and sort code
- Contact name
- Phone number

1.8 How does it work for directors?

According to confirmed reports, directors have the option to furlough themselves and receive 80% of their pay (salary only, not including dividends). However, while on furlough, they cannot perform any work for the company except for fulfilling their statutory obligations such as submitting VAT returns and accounting records. If you are unable to abstain from working, you might be eligible to claim universal credit.

1.9 FAQ's

Q What happens if my employee was furloughed part way through the month?

To calculate the 80% pay for furloughed employees, you need to determine their regular basic pay until the date of furlough and then prorate the 80% pay starting from that date.

Q Do I include bonuses or commission in the 80% calculation?

Only the basic pay should be taken into account, and any fees, commissions, or bonuses should be excluded.

Q Do I have to pay the extra 20% to my employee?

You have the option to either top up to 100% or pay the 80% amount for furloughed employees, but regardless of your choice, you will only receive 80% back.

Q What about employees who's pay varies month to month?

If the employee has completed twelve months of employment before the claim, you can claim for the higher amount between their earnings from the same month in the previous year or the average monthly earnings from the 2019-20 tax year.

If the employee has not completed twelve months of employment, you can claim for the average of their monthly earnings since they started working.

If the employee began working in February 2020, calculate their earnings on a pro rata basis from their start date.

Q If an employee is receiving SSP can they be furloughed?

If an employee is on sick leave or self-isolating, they are entitled to Statutory Sick Pay (SSP) but cannot be furloughed during that period. However, once the sick leave or self-isolation ends, they can be furloughed. On the other hand, employees who have shielded in accordance with public health guidelines can be furloughed.

Q What about employees on maternity leave?

If your employee qualifies for Statutory Maternity Pay (SMP), the standard rules and entitlements still apply. However, if you provide enhanced contractual pay to women on maternity leave, you may include this amount and seek reimbursement through the scheme.

Q What happens to my PAYE and pensions bill?

The pay received by furloughed employees is subject to the same tax and National Insurance deductions as regular pay. These deductions are still required and must be paid by the usual pay date (i.e., 19th of the following month for PAYE). However, if necessary, you may contact HMRC using the number provided and arrange a payment plan for PAY to help you manage until the reclaim is received.

Q Do I need to worry about National Minimum/Living Wage Legislation when I furlough someone?

To put it simply, Minimum Wage (MW) does not apply when employees are furloughed because they are not working. However, if employees are undergoing training and receiving payment, then MW does apply, and you must ensure that the 80% payment amount does not fall below the MW threshold.

Q How can it be backdated to 1st March when we only heard about furloughing recently?

Practically speaking, you may only furlough an employee from the date of the government's announcement (Friday 20th March onwards). However, if you had already made an employee redundant before this announcement, you might be able to switch them to furlough starting from the 1st of March. It is advisable to seek legal advice regarding this matter.

Q Can I pay my member of staff more than 100% of their pay?

You are free to determine the salary of your staff members, but the reimbursement will only be made for 80% of their basic pay, subject to a cap of £2,500 per month, as previously mentioned.

Q Can I furlough someone then un-furlough them, then furlough them again?

Wow, we've been hearing the term "furlough" quite frequently lately. To answer your question, yes, you can furlough your employees provided that they are furloughed for a minimum of three weeks

Q Do employees that have been furloughed have employment rights?

Indeed, their employment rights remain the same as they were before.

Q Is the money received back from the Government taxable?

Regrettably, that is the case.

Q Can we amend February's payroll to bump the figure up?

No, this would be considered fraudulent.

2

Leave is fine leave it the same don't make adjustments

2.1 Leave is fine leave it the same don't make adjustments

The scheme is to help self employed people who's income has been adversely affected by Coronavirus. Full guidance can be found here:

<https://www.gov.uk/guidance/claim-a-grant-through-the-coronavirus-covid-19-self-employment-income-support-scheme>

2.2 Who is eligible?

To be eligible for the scheme as a self-employed individual or partner, you must have fulfilled the following requirements:

- Submitted your tax return for the tax year 2018-19
- Traded in the tax year 2019-20
- Are currently trading (with the exception of COVID-19 restrictions)
- Intend to continue trading in the tax year 2020-21
- Have lost trading profits as a result of COVID-19

Your trading profits should be less than £50,000, and more than half of your income must come from selfemployment.

- 1) Your trading profits for the tax year 2018-19 were less than £50,000 and made up more than half of your total taxable income; or
- 2) Your average trading profits for the tax years 2016-17, 2017-18, and 2018-19 were less than £50,000 and made up more than half of your average taxable income during the same period.

2.3 How much can I claim?

You will receive a grant that is subject to tax, which amounts to 80% of the average profits from the tax years 2016-17, 2017-18, and 2018-19. This grant will be capped at a maximum of £2,500 per month and will be provided for a period of three months.

2.4 How do I claim?

At the moment, the scheme is not open for applications. If you are eligible, HMRC will contact you and provide instructions on how to apply online through the gov.uk website. The funds will be directly deposited into your bank account once your application is approved.

2.5 When will I get the money?

It's unlikely that you'll receive payment before June.

2.6 FAQ's

Q I only went self-employed in May 2019, can I still claim?

Regrettably, only individuals who were self-employed before April 5th, 2019, and are still selfemployed are eligible to claim. However, you might be eligible for Universal Credit, and it's worth verifying.

Q If I haven't been self-employed for the whole three years how will my average profits work out?

To calculate your grant, HMRC will use the total period you have been self-employed and divide it by the number of months. For example, if you have been self-employed for 24 months, they will divide your total profits by 24 to get an average monthly profit. As for claiming if you used to be self-employed but now run a limited company, unfortunately, you are not eligible for the Self-Employment Income Support Scheme. Please refer to chapter 1.8 for further details.

Q My tax return for 2018 /19 is overdue, will I still get the grant?

The government has granted a four-week extension from the current deadline for submission, but it's important to act quickly and submit your form as soon as possible.

Q What if I have 2 self-employment jobs?

The guidance does not provide a clear answer to this question, but it is reasonable to assume that you would combine the profits to calculate the average profit for the relevant period.

Q What if I have 2 self employments?

The guidance doesn't mention this but we'd assume you just combine them to work out the average profit.

3

Coronavirus Business Support Grant funding

3.1 What is it?

In essence, this scheme provides aid to small businesses with physical premises, including those in the retail, hospitality, and leisure industries. Two types of grants may be available to business owners who have commercial properties:

- Small Business Grants Fund (SBGF)
- Retail, Hospitality and Leisure Grants Fund (RHLGF)

3.2 Who is eligible?

You need to have met the criteria as at 11.03.20. The government have published detailed guidance for local authorities to determine who will be entitled to the grant, this can be found here:

<https://www.gov.uk/government/publications/coronavirus-covid-19-guidance-on-business-support-grant-funding>

3.3 How much will I get?

The support scheme aims to assist small businesses with commercial premises, as well as those in the retail, hospitality, and leisure sectors. There are two grant types that may be available to eligible business owners:

- Small Business Grants Fund (SBGF)
- Retail, Hospitality and Leisure Grants Fund (RHLGF)

For the SBGF, all businesses in England that currently receive small business rates relief and are not required to pay rates due to their size will receive a payment of £10,000. For the RHLGF, businesses in England that qualify for the Expanded Retail Discount and have a rate able value of less than £51,000 will receive either £10,000 or £25,000, depending on their rate able value. Please refer to the above guidance for further details.

3.4 When will I get the money?

The timing of the payments will vary depending on your local authority, but it is anticipated that they will be made in April. If you are eligible for the grants, your local authority will reach out to you.

3.5 FAQ's

Q I just rented a room from a friend, I'm not on an actual lease will I still get it?

You must have been receiving small business rates relief on or before March 11, 2020. Therefore, it's advisable to confirm with your landlord or local authority if you were eligible for this relief.

Q I have more than 1 premises, will I get more than one grant?

In theory yes as long as the premises qualify for the grant.

Q I have a home office can I claim?

No.

4

Coronavirus Business Interruption Loan Scheme (CBILS)

4.1 What is it?

Certainly. Although it is a loan that must be repaid, the government has agreed to guarantee a portion of it. The Coronavirus Business Interruption Loan Scheme (CBILS) is administered by the British Business Bank through accredited lenders. Over 40 lenders, including high street banks, challenger banks, asset-based lenders, and smaller local lenders, are currently working to provide finance. A lender may provide up to £5 million in the form of term loans, overdrafts, invoice finance, or asset finance.

More information can be found here:

<https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils-2/>

4.2 Who is eligible?

Any individual with a business operating in the UK, with an annual turnover of less than £45 million, and a borrowing proposal that the lender would have deemed viable before the Coronavirus outbreak, can apply. The loan should help the business continue to operate in the short term.

4.3 How much will I get?

You can apply for any amount up to £5million..

4.4 FAQ's

Q What's the difference between this and a normal bank loan?

Under the scheme, the government offers a partial guarantee to the lender, and it will also make a payment to cover the first year of interest payments and charges. Moreover, there are no guarantee fees for the business applying for the scheme.

Q Will the bank try to get me to take out a normal business loan?

The lender will opt for regular financing, if possible, but if unsecured lending of £250k and under is needed, they may choose to use the scheme.

Q How do I apply?

Choose a lender from the list:

<https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils-2/current-accredited-lenders-and-partners/>

Apply directly with them, if one lender turns you down, you can still approach others within the scheme.

5

VAT payment deferral

If your VAT payment is due between now and 30th June, you have the option to defer it without incurring any interest or penalties. However, you will need to pay the unpaid VAT by April 2021.

The deferral is automatic, so you don't need to apply for it. Just refrain from paying your VAT if you wish to take advantage of it. Make sure to cancel your VAT direct debit if you have one set up for collecting VAT.

6

Payment on account deferral

The deadline for the payment on account of personal tax due by 31.07.20 can be deferred until 31.01.21. This option is automatically available to eligible individuals, and they do not need to make a claim. They can choose not to make the payment if they wish to take advantage of this offer

7

Mortgage and rent payment break

The government has announced that mortgage lenders are willing to assist customers who are facing financial difficulties due to the Coronavirus outbreak, which includes offering payment holidays and other solutions. It is recommended that you contact your mortgage lender to inquire about a 3-month payment break if this could ease your situation.

Additionally, landlords are not allowed to evict tenants who are unable to pay their rent due to the Coronavirus for the next three months.

Summary from Zubair Ali

Essentially, it's important for everyone to assess their cash flow and project their finances for the next 3-6 months. Cut back on any non-essential expenses and make sure to apply for any eligible benefits.

If you need assistance or guidance during this challenging time, don't hesitate to contact us on **0800 009 6441** or **info@mytaxdoc.co.uk**.

Remember to stay safe.

Best regards,

Zubair

