

## Corona Virus

### Financial matters – Update 3rd April 2020

There have been no important announcements in the last two days but we are told that the Chancellor will provide clarity on the Business Loan Scheme which appears to be stalling with the major banks. Hopefully this will provide a clearer picture and we will report on this as soon as we have details. At present the only change is that personal guarantees are not required for loans up to £250,000.

A number of clients are asking about timing of money from the Government so we have drawn up a timeline which you may find useful:

Now:	Local Councils open for claiming cash grants for retail, hospitality & leisure sites
	Local Councils open for claiming Small Business Funding Grants
	Any VAT payable from now to 30 <sup>th</sup> June may be deferred
	HMRC Time to Pay scheme open to defer PAYE and any other taxes due
	Councils start cancelling the business rates bills on retail, hospitality & leisure sites
21 April	HMRC Furlough Portal to open for registration
	Business Interruption Loans start being issued
30 April	HMRC Furlough Portal open for claims
	Councils process grant applications and start making payments
Late May	HMRC Furlough Portal start making payments for claims
30 <sup>th</sup> June	Self Employed financial support payments made based on last 3 years profits
31 <sup>st</sup> July	Self Employed Self Assessment tax bills deferred until Jan 2021

As you can see most business will have a wait before receiving any Government support.

### Business Loan schemes:

Subject to the announcement later today it is important to only apply if you can show you have a viable business. We have seen application forms and working sheets and you need to show a satisfactory level of profits to service the debt proposed. They usually use EBITDA less current debt repayments as a starting point. This is normally taken over the last 3 year average plus a prediction for the next 12m. If you cannot show that you have been profitable/viable then the bank loan application stops at that point.

In addition they need a cashflow forecast for at least 12m to review to put into their computer model.

We also recommend that you write a brief executive summary about the business as it is unlikely that the bank will have this information to hand and you want them to put the best case forward.

## Corona Virus Job Retention Scheme:

Our payroll department have been sending out Furlough Completion forms so we have a record of which of your staff are furloughed, from when and on what terms. This will be a live document that will be updated as time goes on. Please complete as far as possible and return to our payroll department. If you have any queries please email us and we will do our best to help.

We have answered lots of questions over the last few days but the most recent recurring ones appear to be:

1: I am a director of the company can I be put into Furlough ?

A: There is no reason why you cannot put yourself into Furlough but you must not be working. It is unclear what the definition of working is and it has been suggested that directors statutory duties such as accounts and preparing other returns are allowable activities. Maybe now is the time to get your accounts up to date !

Martin Lewis last night suggested that you could Furlough yourself and then go and work for someone else. (Maybe on a reciprocal basis ?) We disagree with this advice as it is the opposite of what the guidance says.

2: What's the definition of "working" ? (You have to be not working for the company to claim from HMRC)

A: Technically the rules state that you should not be working.

Working is defined as earning money or providing services.

You are allowed to volunteer to a charity to do work and you can do training. You cannot get a job elsewhere.

Each job is looked at separately. Therefore if you are furloughed in one job then your other job is fine. However you cannot increase your hours in the second job to make up for the shortfall. The point of furlough is your job is retained and you get furlough payment rather than get a much lower figure if you are laid off.

The company claim for furlough funds will require the company to declare that the staff members applied for are not working.

Staff in furlough are not allowed to work and if you want them to work they should refuse.

However we believe staff may still spend a short time checking their emails in order to pass on to any staff working. HMRC have said they will carry out reviews of furlough claims and these will include evidence of putting staff into furlough together with their acceptance. In addition we anticipate they may ask staff for statements to confirm they were not working during the furlough period.

This is an area that we hope there will be further guidance from HMRC shortly

**Action:**

**Continue to monitor your weekly cashflow**

**Check the position on furloughed staff and they have all confirmed acceptance. Tell them they must advise you if they take a job elsewhere.**

**Check all tax bills are not paid and stop any DDR's for VAT etc**

**If you plan to apply for a bank loan then please check with us about your most recent accounts to see if you need more up to date accounts for the bank.**

We appreciate these are difficult times and are here to support you as much as possible.

3rd April 2020

Mark Williams – [mark.williams@wacoaccountants.co.uk](mailto:mark.williams@wacoaccountants.co.uk) 07894 095 264

Paul Smith – [paul.smith@wacoaccountants.co.uk](mailto:paul.smith@wacoaccountants.co.uk) 07970 021 846

Chris Brown – [Chris.brown@wacoaccountants.co.uk](mailto:Chris.brown@wacoaccountants.co.uk) 07894 095 267

Henry Williams – [Henry.williams@wacoaccountants.co.uk](mailto:Henry.williams@wacoaccountants.co.uk) 07988 608692

Ollie Sawyers – [Oliver.sawyers@wacoaccountants.co.uk](mailto:Oliver.sawyers@wacoaccountants.co.uk) 07824 316 540

James Brooker – [james.brooker@wacoaccountants.co.uk](mailto:james.brooker@wacoaccountants.co.uk) 07792 073004

Williams & Co, 8/10 South Street, Epsom, Surrey, KT18 7PF