

Corona Virus

Financial matters – Update 30th May 2020

New Furlough rules extended:

As promised we have now have further details for the extension of the Furlough Scheme.

From 1 July, employers can bring back to work employees that have previously been furloughed for any amount of time and any shift pattern, while still being able to claim Furlough grant for their normal hours not worked. When claiming the grant for furloughed hours employers will need to report and claim for a minimum period of a week.

The scheme will close to new entrants from 30 June. From this point onwards, employers will only be able to furlough employees that they have furloughed for a full 3 week period prior to 30 June.

This means that the final date by which an employer can furlough an employee for the first time will be 10 June, in order for the current 3 week furlough period to be completed by 30 June. Employers will have until 31 July to make any claims in respect of the period to 30 June.

Further guidance on flexible furloughing and how employers should calculate claims will be published on 12 June.

Furlough entitlement by the employee will remain at 80% of their daily rate as currently with cap of £2,500 per month or equivalent daily rate.

The amount that will be recovered from HMRC is reducing as follows:

July 2020	100% of Furlough amount plus ERS NIC and Pension
August 2020	100% of Furlough amount but no ERS NIC or Pension
September 2020	87% of Furlough payment but no ERS NIC or Pension
October 2020	75% of Furlough amount but no ERS NIC or Pension

The monthly cap will also reduce in line with the above percentages

The scheme will be a soft landing for business who do not know what level of sales they will achieve when the reopen and give greater flexibility on the hours worked to match against the demand.

The Furlough grants will only recoverable when an employee is not working and paid their 80% entitlement.

Self Employed Compensation Scheme Extended:

Please note you must claim your first grant under Self Employed Compensation by 13th July otherwise it is lost.

The Chancellor has announced that for those that are entitled to claim under the above scheme it is to be extended for three months to 30th September 2020.

The second and final payment will be claimable in August and HMRC will advise when the portal is opened.

The second grant will be 87% of the amount received under the first grant.

SSP Portal now open:

There has been quite a delay in the opening of the SSP portal. This is a standalone system not unlike the Furlough scheme. Normally SSP only applies after 3 waiting days and is not normally recoverable by companies. The special rules were introduced to prevent the spread of Coronavirus by ensuring employees had funds paid to them when off.

The repayment will cover up to 2 weeks Statutory Sick Pay starting from the first day of sickness, if an employee is unable to work because they:

- have coronavirus symptoms
- cannot work because they are self-isolating because someone they live with has symptoms
- are shielding and have a letter from the NHS or a GP telling them to stay at home for at least 12 weeks
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If we complete your payroll we will be making the claim for you. If you complete your own payroll then please go to the following link to make the claim

<https://www.gov.uk/guidance/claim-back-statutory-sick-pay-paid-to-your-employees-due-to-coronavirus-covid-19>

Bounce Back Loans

This continues to be a great success with many clients applying and getting up to £50,000 loans over a 6 year period. There are no repayments in the 1st 12 months and interest is nil for the 1st 12m and 2.5% pa thereafter.

It almost seems too easy

We recommend applying through your existing bank rather than trying a new one.

The only downside of taking the Bounce Back Loan is if you use it to pay yourself dividends, don't have enough P&L reserves and then go bust. In these circumstances its guaranteed that you will have to repay any illegal dividends in full to the liquidator.

Although the loan is not guaranteed by the directors if the Bank are not fully repaid they are required to appoint liquidators to recover any funds paid to directors/shareholders in effect creating a guarantee without realising. In view of this you may wish to discuss with us the options so not to get caught by this trap.

Self Assessment Tax Due 31st July 2020 – deferral

HMRC have agreed that Self Assessment tax due on 31st July 2020 may be deferred for 6m to 31st January 2021. This applies to all tax payers (previously just Self Employed).

Whilst good it is only a deferral for 6m and interest is payable at 2.6%. If you miss the January 2021 payment date then surcharges kick in as well which are quite penal.

Return to New Normal:

With lock down being gradually eased clients are now looking at how they will open their business and keep within the social distancing rules keeping staff and customers safe. What is clear is that any re-opening needs careful planning both operationally and financially.

Many businesses have said they will be worse off open than closed. The key appears to trying to assess customer demand and matching your costs to these income levels. As Furlough support unwinds it is hoped that sales will increase but this is not guaranteed.

We recommend that you look at a flexible approach to staffing levels to enable you to minimize costs but also service your customers. We also recommend canvassing key customers for likely sales levels to gauge activity levels.

If you require help in financial planning at different sales levels please contact us.

Action:

Review the new Furlough rules and see how they may work for your business

Look at different activity levels and assess costs and profitability at these levels

Consider if you want to take a new Bounce Back Loan.

Review cashflow needs of the business for the next 6m

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

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