

## Coronavirus Business Update

These are challenging times for all of us with news sources saying coronavirus has delivered the sharpest and deepest economic shock in history.

We have prepared this news letter to help you understand what assistance has been made available so far to help individuals and businesses cope. The situation is evolving very quickly so we expect further updates from HMRC in the upcoming days and will continue to keep you well-informed.

## Coronavirus Business Update - Self-Employed



As of 27 March the following measures have thus far been announced that will benefit the self employed:

- Self-employment Income Support Scheme
- Deferral of Self Assessment income tax payments due in July 2020 until January 2021
- Deferral of VAT payments due from 20 March 2020 until 30 June 2020
- Grants for businesses that pay little or no business rates
- Increased amounts of Universal Credit
- Business Interruption Loan Scheme

## Self-Employment Income Support Scheme

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

This newly introduced scheme from HMRC will allow you to claim a taxable grant worth 80% of your trading profits up to a maximum of £2,500 per month for the next three months. This may be extended if needed, but the terms on this are currently unknown.

Please contact us if you would like more information about any of the items in this news letter.

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## Who are eligible to apply?

You may be eligible to apply if you are a self-employed individual or member of a partnership. There are other qualifying criteria, these include:

- You have submitted a Self-Assessment tax return for the tax year 2018-19 (if not do so by 23 April 2020)
- You traded in the tax year 2019-20
- You are trading when you apply, or otherwise would be if not for the current COVID-19 situation
- You intend to trade in the 2020-21 tax year
- You have lost trading/partnership trading profits due to the COVID-19 Pandemic

In addition to the above your self-employment trading profits should be below £50,000 and more than half of your income should come from your self-employment. This can be determined by at least one of the following:

- Your self-employed or partnership trading profits in 2018-19 were less than £50,000 and these constitute more than half of an your total taxable income from self-employment.
- Your average trading profit in 2016-17,2017-18 and 2018-19 was less than £50,000 with these constituting more than half of your average taxable income in the same tax period.
- HMRC will use records of 2018-19 tax returns already submitted to identify individuals who may be eligible and will also cautiously risk assess subsequent late returns filed before the 23 April 2020 deadline that was announced by the Chancellor on the 26 March 2020.

## How much will the self-employed receive?

The current new guidelines have set out that self-employed workers will be offered a taxable grant which will be 80% of their average profits from the three previous tax years where these are applicable.

HMRC will work out an average by adding together the total trading profit for the previous three tax years and dividing this by 36 to calculate a potential monthly amount. Payment will be up to a maximum of £2,500 per month for three months only. The grant will be paid via BACS directly into the nominated bank account in one instalment.



The mechanism is not yet set up for self-employed individuals to be able to apply, however when the provision is ready HMRC will contact those eligible with further instructions. We will of course keep you up to date as this develops.

Unsurprisingly HMRC have strictly requested that people do not contact them right now regarding the application process.

## Coronavirus Business Update

### - Employers and Employees

Government measures for caring for employers and employees have been around for a few days longer, and even in just those few days there have been clarifications to help us better understand their intent. As of 27 March the following measures have thus far been announced for the benefit of employers and employees:

- a Coronavirus Job Retention Scheme (for furloughed employees)
- a Statutory Sick Pay relief package for small and medium sized businesses (SMEs)
- Deferral of VAT payments due from 20 March 2020 until 30 June 2020
- Grants for businesses that pay little or no business rates

### Job Retention Scheme

#### - Eligible Employers

The scheme is open to all UK employers that had created and started a PAYE payroll scheme on 28 February 2020 and have a UK bank account.

#### - Employees you can claim for

Furloughed employees must have been on your PAYE payroll on 28 February 2020, and can be on any type of contract, including:

- full-time employees
- part-time employees
- employees on agency contracts
- employees on flexible or zero-hour contracts

To be eligible for the subsidy, when on furlough, an employee can not undertake work for or on behalf of the organisation. This includes providing services or generating revenue. While on furlough, the employee's wage will be subject to usual income tax and other deductions.

If an employee is working, but on reduced hours, or for reduced pay, they will not be eligible for this scheme. To be eligible for the subsidy employers should write to their employees confirming that they have been furloughed and keep a record of this communication.

#### - How much can an employer claim?

The grant from HMRC is to cover the lower of 80% of an employee's regular wage or £2,500 per month, plus the associated Employer National Insurance contributions and minimum automatic enrolment employer pension contributions.

#### - Full time and part time employees

For full time and part time salaried employees, the employee's actual salary before tax, as of 28 February should be used to calculate the 80%.

### - Employees whose pay varies

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 earning from the previous year
- average monthly earnings from the 2019-20 tax year

If the employee has been employed for less than a year, you can claim for an average of their monthly earnings since they started work.

If the employee only started in February 2020, use a pro-rata for their earnings so far to claim.

### - Employer National Insurance and Pension Contributions

All employers remain liable for the associated Employer National Insurance contributions and automatic enrolment employer pension contributions on behalf of their furloughed employees. You can claim a grant from HMRC to also cover these costs.

You can choose to provide top-up salary in addition to the grant at your own cost.

### - National Living Wage/National Minimum Wage

Individuals are only entitled to the National Living Wage (NLW)/National Minimum Wage (NMW) for the hours they are working.

Therefore, furloughed workers, who are not working, must be paid the lower of 80% of their salary, or £2,500 even if, based on their usual working hours, this would be below NLW/NMW.

However, if workers are required to for example, complete online training courses whilst they are furloughed, then they must be paid at least the NLW/NMW for the time spent training.

### - If your employee is on unpaid leave

Employees on unpaid leave cannot be furloughed, unless they were placed on unpaid leave after 28 February.

### - If your employee is on Statutory Sick Pay

Employees on sick leave or self-isolating should get Statutory Sick Pay, but can be furloughed after this.

Employees who are shielding in line with public health guidance can be placed on furlough.

### - If your employee has more than one job

If your employee has more than one employer they can be furloughed for each job. Each job is separate, and the cap applies to each employer individually.

### - If your employee does volunteer work or training

A furloughed employee can take part in volunteer work or training, as long as it does not provide services to or generate revenue for, or on behalf of your organisation.

However, if workers are required to for example, complete online training courses whilst they are furloughed, then they must be paid at least the NLW/NMW for the time spent training, even if this is more than the 80% of their wage that will be subsidised.

### - Practicalities – discussions with staff

Employers should discuss with their staff and make any changes to the employment contract by agreement. When employers are making decisions in relation to the process equality and discrimination laws will apply in the usual way.

### - How to claim

Employers will submit claims using the new online portal that is being developed currently. You will need to calculate the amount you are claiming. HMRC will retain the right to retrospectively audit all aspects of your claim. You can only submit one claim at least every 3 weeks, which is the minimum length an employee can be furloughed for. Claims can be backdated until the 1 March if applicable.

### - What to do after you've claimed

Once HMRC have received your claim and you are eligible for the grant, they will pay it via BACS payment to a UK bank account.

You should make your claim in accordance with actual payroll amounts at the point at which you run your payroll or in advance of an imminent payroll.

When the government ends the scheme, you must make a decision, depending on your circumstances, as to whether employees can return to their duties. If not, it may be necessary to consider termination of employment (redundancy).

### - Employees that have been furloughed – employment rights

Employees that have been furloughed have the same rights as they did previously. That includes Statutory Sick Pay entitlement, maternity rights, other parental rights, rights against unfair dismissal and redundancy payments.

### - Income Tax and Employee National Insurance

Wages of furloughed employees will be subject to Income Tax and National Insurance as usual. Employees will also pay automatic enrolment contributions on qualifying earnings, unless they have chosen to opt-out.

## **Coronavirus Business Update**

### **- Other Support Measures**

- a 12-month business rates holiday for all retail, hospitality, leisure and nursery businesses in England
- small business grant funding of £10,000 for all business in receipt of small business rate relief or rural rate relief
- grant funding of £25,000 for retail, hospitality and leisure businesses with property with a rateable value between £15,000 and £51,000
- the Coronavirus Business Interruption Loan Scheme offering loans of up to £5 million for SMEs through the British Business Bank
- a new lending facility from the Bank of England to help support liquidity among larger firms, helping them bridge coronavirus disruption to their cash flows through loans
- the HMRC Time To Pay Scheme

## Coronavirus Precautions

Source: <https://www.gov.uk/coronavirus>

- Stay at home
- Only go outside for food, health reasons or work (but only if you cannot work from home)
- Stay 2 metres (6ft) away from other people
- Wash your hands as soon as you get home

*You can spread the virus even if you don't have symptoms.*

## 10 tips to help if you are worried about coronavirus

Source: <https://www.nhs.uk/oneyou/every-mind-matters/coronavirus-covid-19-anxiety-tips/>

The coronavirus (COVID-19) outbreak may cause you to feel anxious, stressed, worried, sad, helpless, overwhelmed, confused or angry. Remember that feeling anxious can cause physical effects that could be confused with symptoms of coronavirus, like feeling hot or short of breath, which could in turn lead to more worry. Here are 10 ways you can help improve your mental health and wellbeing if you are worried or anxious about the coronavirus outbreak:

### 1. Stick to the facts

Find a source you trust – such as GOV.UK or the NHS website – for information about risks so you can take sensible precautions.

Fact-check information from the news, social media or other people against trustworthy sources so you can make sure not to share information that could cause worry or lead people to do things that are unhelpful.

You might also want to consider limiting the time you spend watching, reading or listening to coverage of the outbreak, including on social media. You could set yourself a specific time to read updates or limit yourself to a couple of checks a day.

### 2. Connect with people

Maintaining healthy relationships with people we trust is important for our mental wellbeing. Whether over the phone, via messages or online, talking to others can help you develop a balanced view of the situation and make you both feel better.

### 3. Talk about your worries

It's normal to feel a bit worried, scared or helpless about the current situation. Remember: it is OK to share your concerns with others you trust – and doing so may help them too.

### 4. Support and help others

Helping someone else can benefit you as well as them, so try to be a little more understanding of other people's concerns, worries or behaviours at this time. Try to think of things you can do to help those around you. Is there a friend or family member nearby you could message?

## 5. Make a plan

Thinking and planning ahead for if you need to stay at home should help you feel more prepared and less concerned. Think through a normal week: how might it be affected and what would you need to do to solve it?

You might want to think about talking with your employer, understanding your sick pay and benefits rights, and preparing some essentials for while you are at home. Try to remember this disruption should only be for a short time.

## 6. Look after your body

Our physical health has a big impact on how we feel. Try to eat healthy, well-balanced meals, drink enough water and exercise regularly. Avoid smoking or drugs, and try not to drink too much alcohol.

## 7. Stay on top of difficult feelings

Concern about the coronavirus outbreak is perfectly normal. However, some people may experience intense anxiety that can affect their daily life.

Try to focus on the things you can control, such as your behaviour, who you speak to, and where and how often you get information. It's fine to acknowledge that some things are outside of your control.

## 8. Do things you enjoy

If we're feeling worried, anxious or low, we might stop doing things we usually enjoy. Focusing on your favourite hobby, learning something new or simply taking time to relax with others will help with anxious thoughts and feelings.

## 9. Focus on the present

Focusing on the present, rather than worrying about the future, can help with difficult emotions and improve our wellbeing. Relaxation techniques can also help some people deal with feelings of anxiety.

## 10. Look after your sleep

Good-quality sleep makes a big difference to how we feel mentally and physically, so it's important to get enough. Try to keep a regular sleeping pattern and follow good sleep practices.

## **Do You Know Anyone Who Needs Help?**

Do you know someone who would like to start a business or needs help?

Are your friends unhappy with not being able to speak to the same person twice at their accountants? Please feel free to pass on our number. We provide:

- One point of contact for friendly personal service with home visits available, serving North and North East Lincolnshire
- FREE initial consultation and FREE bookkeeping software
- New business start-ups and advice
- Accounts, bookkeeping and payroll, VAT, income tax and Self Assessment
- Tax enquiry cover plus a FREE legal and business helpline

## 2020-21 Rates, Thresholds And Allowances

for England and Northern Ireland

### Tax Rates and Allowances

Personal allowance up to 65 years old	£12,500	This is the amount you can earn before paying tax. It gradually reduces by £1 for every £2 a person's income is over £100,000.
Basic Rate	20%	Tax is charged at this rate on income from £12,501 to £50,000.
Higher Rate	40%	Tax is charged at this rate on income from £50,001 to £150,000.
Additional Rate	45%	Tax is charged at this rate on income in excess of £150,000.
Capital Gains Tax Annual Exemption	£12,300	Tax is charged on residential property at 18%/28% for lower/higher rate tax payers and 10%/20% on other chargeable assets
Dividend allowance	£2,000	Dividend tax is charged at Basic Rate 7.5%, Higher Rate 32.5% and Additional Rate 38.1%
Corporation Tax Rate	19%	
VAT Registration Threshold	£85,000	VAT is charged at 20% on most goods and services, 5% on home energy etc and 0% on food etc.

### National Insurance Rates

Class 1	12%	Employees pay Class 1 at this rate on their wages in excess of £183 and below £962/week.
Class 1	2%	Employees pay Class 1 at this rate on their wages in excess of £962/week.
Small Profits Threshold	£6,475	Applied automatically on the Self Assessment Tax Return. The self-employed pay Class 2 National Insurance on profits above this threshold.
Class 2	£3.05/wk	Class 2 National Insurance is paid along with Self Assessment tax every 31 January. For the self-employed Class 2 is important for benefit entitlement.
Lower Profits Limit	£9,500	Applied automatically on the Self Assessment Tax Return. The self-employed pay Class 4 National Insurance on profits above this threshold.
Class 4	9%	Class 4 National Insurance is paid along with Self Assessment tax on 31 January and 31 July each year.
Class 4	2%	The self employed pay Class 4 at this rate on their profits in excess of £50,000/year.

### National Minimum Wage

Under 18	£4.55	Must be above school leaving age
Aged 18 to 20	£6.45	
Aged 21 to 24	£8.20	
Aged 25 and above	£8.72	This is called the National Living Wage