29 May 2020

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COVID-19 – SUPPORT FROM GOVERNMENT AND THE TAX AND ACCOUNTING CONSIDERATIONS

Throughout May our technical team have continued to add written guidance, useful tools and videos to the **COVID-19 Technical Resources Package**.

Below is a summary of the key developments in May, along with links to further guidance. For members and those with access, we'd strongly recommend routinely referring back to the **COVID-19 Technical Resources Package** for the latest position as it does change so frequently.

We hope that you and your clients find this helpful.

Coronavirus Job Retention Scheme (CJRS)

The purpose of the CJRS is to encourage employers who cannot pay staff wages to not make redundancies. Instead they can keep the employee on the payroll, place them on temporary leave ('furlough') and claim a Government grant to cover part of the wage cost.

As many employers are now gearing up to making (at least) their second claim under the CJRS we've been given some news about the future of the scheme.

As notified last month, the scheme was to be made available until at least the end of June 2020 but the Chancellor has now extended that to 31 July 2020 and set out an overview of what will happen from 1 August. While more detail is yet to come, we do know that a modified version of the CJRS will run until the end of October. The modified CJRS will ensure that staff continue to receive 80% of their salary, up to £2,500 per month, but employers will have more flexibility to bring their furloughed employees back to work part time. In this scenario, employers will be asked to pay a percentage towards the salaries of their furloughed staff.

More information is due imminently and the latest Government guidance can be accessed **here**.

Statutory Sick Pay

On 26 May the Coronavirus Statutory Sick Pay Rebate Scheme (CSSPRS) was launched, enabling certain employers to recover up to two weeks SSP for eligible employees who have been off work because of COVID-19 since 13 March 2020 (16 April 2020 for those who are shielding). HMRC have updated their guidance for "Get Ready to Claim" and this is a section that all payroll bureaus and employers should be familiar with. See the Government guidance **here**.

Self-employment Income Support Scheme

A Treasury Direction has now been made, setting out the legal framework for the Self-Employment Income Support Scheme. See **here**.

HMRC made the online claim service available on 13 May, ahead of the original schedule. The **guidance** sets out:

1. Who can claim?
2. Eligibility checks
3. Details of how HMRC computes the grant
4. Making the claim
5. Details of when monies will be paid

Point (1) above unfortunately clarifies that an agent may not claim on behalf of a self-employed client. Instead, agents should advise clients on eligibility and then prompt them to make their own claims.

A talking point within our team this month has been the VAT status of any SEISS grant and whether it could take a currently non-registered trader over the VAT registration limit. While the SEISS grant is certainly subject to income tax and Class 4 National Insurance Contributions, it is not a taxable supply for VAT purposes and so would not trigger a need to register for VAT.

We have also concluded that those operating furnished holiday lets are not eligible for SEISS, due to the way in which trading income is referred to in the Treasury Direction mentioned above.

Giving up income

During the COVID-19 pandemic, some people are giving up part of their income to support their business or their employer. HMRC have issued **guidance** on the tax and NIC implications of different ways of achieving this. This covers those giving up a percentage of salary or bonus and those waiving dividends.

Penalties for late filing of tax returns or late payment of tax – is there a "reasonable excuse"?

HMRC have extended their **guidance on reasonable excuse**, for example for returns or payments being late. HMRC will consider coronavirus as a reasonable excuse for missing some tax obligations but taxpayers will still need to explain how they were affected by coronavirus.

Insolvency protection

The Corporate Insolvency and Governance Bill has now been introduced in Parliament, which when it comes into law will provide a legal basis for measures previously announced to protect vulnerable businesses experiencing financial difficulty due to the pandemic.

The Bill will temporarily suspend parts of insolvency law related to wrongful trading in order to protect directors from the threat of personal liability where the companies they manage continue to operate through the emergency, for the period from 1 March to 30 June 2020. A range of other measures are also proposed which are designed to protect companies from aggressive action by their creditors and to provide the breathing space they need to continue to operate through the pandemic.

Full details of the proposals can be found **here**.

Business loan schemes

As the financial implications of the pandemic become increasingly severe the Government has increased the amount that can be borrowed through the Coronavirus Large Business Interruption Loan Scheme (CLBILS) from £50 million to potentially as much as £200 million. Companies borrowing more than £50 million though will face restrictions on dividend payments, senior pay and the ability to buy-back shares.

Smaller businesses continue to be able to take advantage of the following loan schemes:

- Coronavirus Business Interruption Loan Scheme
- The Future Fund
- Bounce Back Loan Scheme

All these loan schemes have different terms and eligibility criteria. For more information. For more information see the **Government Guidance**.

Going concern guidance

Despite the range of Government assistance that is being offered to help mitigate the financial impact of the pandemic it is far from assured that all businesses will be able to continue to trade through this period of instability.

To help the directors of SMEs consider whether their business is a going concern or not the Institute of Chartered Accountants in England & Wales (ICAEW) and the Institute of Chartered Accountants of Scotland (ICAS) have jointly published guidance on COVID-19 and going concern. In plain English the guidance explains why undertaking an assessment of a company's going concern status is a vital part of the accounts production process and sets out how it should be undertaken.

Copies of the guidance can be obtained **here**.

Client Letter – Statutory Sick Pay Rebate Scheme

On 26 May, HMRC opened up its Statutory Sick Pay (SSP) rebate claim service. Keep your clients up to date with our free client letter, which provides invaluable detail on the service.

Download