

Subject: COVID Update 6 April

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# ALLENSACCOUNTS

## Coronavirus Job Retention Scheme (CVJRS)

HMRC have issued updated guidance on the Job Retention Scheme. This guidance has clarified a number of points:

- **Directors can be furloughed** but this must be formally documented and they cannot work for the company other than undertake basic statutory duties
- A furloughed employee, including a director, **cannot undertake any work** – this specifically includes anything that generates commercial revenue or provides services for the company
- An employee whose hours or pay has been reduced but continues to work cannot be furloughed
- A furloughed employee can take part in volunteer work or training – HMRC actively encourage the latter in their guidance
- An employer can claim for furloughed employees who are shielding in line with government advice (or stay with someone else who is shielding) if they are unable to work from home and who otherwise would be made redundant
- Employees who are unable to work because they have caring responsibilities (resulting from Coronavirus) can be furloughed – this includes those who need to look after children

We have updated our CVJRS Guide following this updated guidance and this

will be available later tonight or early tomorrow on our website at <http://www.allensaccountants.com/#coronavirus-briefings>

### Coronavirus Business Interruption Loan Scheme (CBILS)

Chancellor Rishi Sunak announced the CBILS programme is being extended so that all viable small businesses affected by Coronavirus, and not just those unable to secure regular commercial financing, will now be eligible should they need finance to keep operating during this difficult time. In other words a business can apply directly for a CBILS loan even if they qualify for a normal commercial loan. Our experience to date is that banks were requiring businesses who were eligible for normal lending to take these products before offering a CBILS loan.

The government has also stopped lenders from requesting personal guarantees for loans under £250,000 and making operational changes to speed up lending approvals. The government will continue to cover the first twelve months of interest and fees.

For loans over £250,000, personal guarantees will be limited to just 20% of any amount outstanding on the CBILS lending after any other recoveries from business assets. Lenders were already prohibited from asking business owners to put their house on the line, but the changes are design to allay concerns regarding personal assets.

Although every case will be looked at individually our understanding is that in addition to the above:

- The business must have been trading for at least one year, be profitable and have at least 50% of its turnover derived from trading activities
- Businesses with less than one year's trade must be able to demonstrate some profitable trading history (management accounts) – the same applies for businesses with first year losses but year to date profits
- The business will most likely need the following information for an application:
  - Bank reconciliations up to 31 March 2020
  - Demonstrate they have used or applied for all other reliefs (VAT

deferral, JRS/turlough, negotiate supplier payments, rent deferral, Time to pay, local authority rates relief and grants)

- 6 months bank statements
- Forecasts showing company will meet lender's requirements – commonly will need sufficient profit to cover bank repayments by 1.5 to 1.75 times
- Loans will be up to 6 years (plus invoice finance and overdrafts up to 3 years)
- Typical interest rates are between 3% and 5%
- There will be a 12 months capital repayment holiday
- The first year's interest and arrangement fee will be covered by the Government

The British Business Bank website has full details on eligibility and how to apply for a CBILS loan <https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils-2/for-businesses-and-advisors/>

### Stockport Small Business Grant Funding

Stockport Council has announced that as of Friday it has paid the first 630 of their coronavirus Small Business Grants and these amounted to £9.33m. Further information can be found at <https://www.stockport.gov.uk/start/small-business-grant-funding>

If you need further information on Grant Funding please see our Guide on our website.

The Allens Team

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