

Subject: COVID - Allens Community

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Today's key announcements;

Self-employment Income Support Scheme

Main points of the scheme:

- HMRC will pay a taxable grant of 80% of the average trading profits up to a maximum of £2,500 per month for the next 3 months (to be extended if necessary)
- Directors being paid a salary via **dividends**, please see expanded point in bold below
- HMRC will use the average trading profits from filed tax returns for 2016/17, 2017/18 and 2018/19 to determine the size of the grant
- Grants will be paid in a single lump sum instalment covering all 3 months, and will start to be paid at the beginning of June - In the interim, self-employed individuals may be eligible for universal credit
- It will only apply to businesses with trading profits of up to £50,000 per year
- Claimants of the grant can keep working during the 3 month period
- It will apply to those whose main income is from self-employment – HMRC guidance states this means self-employment income must account for more than half total income
- There is a window of 4 weeks for those who failed to file a tax return in January 2020 to do so and be eligible

The Chancellor also stated that there would be an equalisation of tax arrangements between employees and the self-employed in the future.

Individuals should **not** contact HMRC now. HMRC will use existing information to check potential eligibility and **invite applications** once the scheme is operational.

A very important point to note, which applies to many, is that people who pay themselves a salary and dividends through their own company are NOT covered by this scheme, but WILL be covered for their salary by the Coronavirus Job Retention Scheme if they are operating PAYE schemes.

<https://www.gov.uk/government/news/chancellor-gives-support-to-millions-of-self-employed-individuals>

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

Coronavirus Job Retention Scheme

The government in the last hour has issued more guidance on this.

This now adds the following detail to what we already knew (see previous bulletins <http://www.allensaccountants.com/#coronavirus-briefings>):

- You must have created and started a PAYE payroll scheme on or before 28 February 2020 and have a UK bank account
 - 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 and employees on flexible or zero-hour contracts
 - The scheme also covers employees who were made redundant since 28 February 2020 if they are rehired by their employer
 - To be eligible for the subsidy, when on furlough, an **employee cannot undertake work** for or on behalf of the organisation - this includes providing services or generating revenue
 - 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 employee

- To be eligible for the subsidy employers should write to their employee confirming that they have been furloughed and keep a record of this communication
- You do not need to place all your employees on furlough - however, those employees who you do place on furlough cannot undertake work for you
- The grant will cover the **lower of 80% of an employee's regular wage or £2,500 per month**, plus the associated Employer NICs and minimum automatic enrolment employer pension contributions on that subsidised wage
- At a minimum, employers must pay their employee the lower of 80% of their regular wage or £2,500 per month - an employer can also choose to top up an employee's salary beyond this but is not obliged to under this scheme
- For full time and part time salaried employees the employee's actual salary before tax as of 28th February 2020 should be used to calculate the 80%
- If the employee has been employed for a full twelve months prior to the claim, you can claim for the **higher of either:**
 1. **the same month's earning from the previous year; or**
 2. **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
- An employee must be furloughed for a **minimum of 3 weeks** for their employer to be eligible to claim under this scheme.
- You can only submit one claim at least every 3 weeks
- Claims can be backdated until the 1 March if applicable
- Employees that have been furloughed have the same rights as they did previously such as SSP, maternity rights, other parental rights, rights against unfair dismissal and to redundancy payments
- Payments received by a business under the scheme are made to offset these deductible revenue costs i.e. they must therefore be included as income in the business's calculation of its taxable profits

<https://www.gov.uk/guidance/claim-for-wage-costs-through-the-coronavirus-job-retention-scheme>

Deferred VAT payments

As a reminder all VAT payments due between 20th March 2020 until 30th June 2020 can be deferred. Therefore anyone with a VAT quarter ending 29th February, 31st March or 30th April 2020 can defer payment.

This is automatically available and you do not need to apply. HMRC will not charge any interest on this late payment. You must ensure you have paid any outstanding liabilities by 1st April 2021. You still need to submit your VAT return on time as late submission penalties will still apply.

HMRC have updated their guidance and are now advising companies to cancel direct debits. This needs to be done at least 5 working days before the payment is due to be taken. HMRC cannot cancel the DD from their end.

Grants administered by Stockport Council

Stockport Council are expecting to receive the funding from the government from 1st April and the council have preparations in place to process the payments as soon as the funds are made available.

Cash grants of £10,000 (rateable value of up to £15,000) and £25,000 (rateable value of between £15,001 and £51,000) are being administered by the Local Authorities so no application is required. Guidance on the scheme is being issued to the Local Authorities. Stockport Council has a section on its website where businesses qualifying for SBRR can upload their company VAT and Bank Account details <https://www.stockport.gov.uk/business-rates-support-measures>

The Government's new website for all support measures <https://www.businesssupport.gov.uk/coronavirus-business-support/>

As always, if you want to discuss any of the above, please get in touch.

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