Butt Miller

Chartered Accountants

Coronavirus

Financial Information for Businesses

Self Employed

This is the latest information available to us in relation to the various support packages announced by HMRC as at Tuesday, 31 March 2020.

Grants for the Self Employed

To mirror the support for employees, the package for the Self Employed provides a grant which will be:

- Available to anyone currently in business;
- Whose business income makes up more than half of their total income;
- Based on the average business profits for the past 3 years;
- Paid to anyone whose average profits are less than £50,000;
- Paid at 80% of average profits to a maximum of £2,500 per month;
- Adjusted calculations will be made for businesses that don't have 3 years of accounts;
- HMRC will be contacting those eligible to participate in the scheme to invite them to make a claim in the next few weeks, based on their 2019 Self Assessment Return;
- The Grant will be taxable, so will form part of your business accounts covering the date of receipt of the grant.

The guidance refers to businesses which are affected by the outbreak, so we would recommend that you keep a diary of the impact on your business, such as orders that are withdrawn, difficulties in obtaining supplies and problems created by having to close workplaces and social distancing.

HMRC are expecting to be able to make payments by the end of June.

At this time there is no indication that other income and savings will be taken into consideration in assessing the grant.

Income Tax

The tax due to be paid on 31 July 2020 is going to be deferred until 31 January. This payment relates to the 2019/20 tax year, which is just finishing. However, the business accounts on which your tax return is based may have already finished, so that the timing of the crisis means that the current downturn in business is not going to be reflected in the tax payable for 2019/20. The tax impact of the Coronavirus on your business is probably not going to be truly known until March 2021.

We understand that the deferral relates to all taxpayers who reported income from Self Employment in 2018/19, irrespective of the proportion of the tax bill that relates to the self employment.

No penalties or interest will be charged on the deferred tax payment if settled by 31 January 2021.

Self Assessment Tax Returns will still be required to be submitted, as usual.

VAT

No VAT payments will be required for the next 3 months. If your business is VAT registered, you will continue to collect the VAT from your customers as normal, but VAT payments to HMRC are suspended until after July. Any VAT deferred in this quarter is due to be settled with HMRC by 5 April 2021.

If you are a business that receives VAT repayments those repayments will be made to you as usual.

Returns will still be required as normal, even though the VAT is not payable. Please bear in mind that there are steep penalties for failing to submit Returns by the due date.

If HMRC usually collect the VAT due via Direct Debit, please cancel that Direct Debit arrangement, unless you are due a repayment of VAT.

Employees

We have a separate guidance sheet for employers about the changes to Statutory Sick pay and the grant for payments to workers who are retained but for whom you have no work.

Business Rates

Relief from Business Rates was announced for the Leisure sector in the Budget on 11 March. The councils are working on issuing new bills, but things have moved on at pace, so that relief from business rates was extended to the retail sector and nurseries for the coming year.

In addition to the Business Rates holiday, one off grants are being paid to very small businesses that have been paying business rates, and those in the retail, hospitality and leisure sector:

- £10,000 for businesses that qualify for small business rate relief or rural rate relief;
- £10,000 for businesses in the retail, hospitality or leisure sector who paid business rates with a property with a rateable value of less than £15,000;
- £25,000 for businesses in the retail, hospitality or leisure sector who paid business rates with a property with a rateable value of between £14,999 and £51,000;

There is no application process, the revised rates bills will be issued automatically by the local authority and they will also be contacting businesses as appropriate about the grants.

The guidance from Government to local councils has now been published. Many local authority websites now have the facility to enquire about these grants, so that if you believe your business should have qualified for the grant you can now make an enquiry about eligibility.

Universal Credit

Universal Credit is being opened up to the self employed who cannot work due to contracting the Coronavirus or being required to Self Isolate. The application is made online, and currently requires you to attend an interview with the Job Centre. Based on the number of potential cases and the reason for the claim, it is likely that the requirement to attend an interview will be suspended in the interim.

You may also be entitled to claim Universal Credit if you are not unwell, but currently have no work. The maximum period you can backdate a claim is one month, so if your work is drying up, it may be worth putting in an application sooner, rather than later to ensure that you qualify for the maximum benefit available to you, irrespective of any additional assistance that is yet to be announced.

If you have been an employee paying Class 1 National Insurance Contributions in the previous 2 to 3 years you may be eligible for the unemployment element of the benefit. You will need to have paid Class 1 NIC for two complete tax years prior to the date of your claim.

Therefore, if you claim prior to 5 April 2020 your eligibility will be based on the 2017/18 and 2018/19 tax years.

A claim being made after 5 April 2020 will be based on the 2018/19 and 2019/20 tax years.

Your National Insurance record is available online through your Government Gateway account, which is simple to create if you have not already done so.

Settlement of Taxes that remain payable including PAYE and NIC

HMRC have been operating a Time to pay scheme for a number of years, and this has been enhanced to assist businesses that are struggling as a result of the Coronavirus outbreak to settle taxes due. The number to call is 0800 0159 559. If the liability is not yet due, you will need to call them nearer the due date for payment. HMRC will expect you to have a payment plan proposal when you call.

Business Interruption Loans

You may wish to consider an application to the Business Interruption Loan Scheme to help with cash flow. The banks are offering loans backed by the Government, which will be interest free for the first 12 months.

By way of example, one of the High Street big 4 banks has advised us of their terms:

- Loans are available for £25,001 up to £5m.
- £25,001 - £100,000 - Secured by short form guarantee
- £100,001 - £250,000 - Secured by short form guarantee and debenture
- £250,001+ - Personal Guarantee, debenture and tangible security
- Loans are capped at the greater of 25% of turnover or two times the annual payroll cost
- Interest free for first 12 months
- Deferment of repayments for up to 12 months
- Minimal administration for applications
- Security may be required
- Unsecured Loans will be capped at £250k

We understand these to be fairly standard terms, but the precise details will vary from lender to lender. If you are considering applying for a loan we would suggest contacting your own bank in the first instance.

You will need to put together a business proposal including a monthly profit and cash flow forecast to make the application to the bank, and Butt Miller will be happy to help with the proposal and forecasting.

Early experiences

There is obviously a significant demand for these loans as almost all businesses are struggling for cash flow.

If you need to make an application,

- Bear in mind that you will be responsible for paying back the whole of the loan, not just the 20% that is not government backed;
- Some banks are requiring personal guarantees;
- If the business cannot pay back the whole of the loan, your guarantee will be called to cover as much of the loan as possible before resorting to collecting the balance from the government;
- The simpler and easier you can make your business proposal the quicker your application is likely to be processed;
- A business that was viable before the crisis should be accepted for a loan now;
- Providing information on how the management is reducing costs and managing cash flow is essential;
- Anticipating how the business will manage cash flow if the situation continues to deteriorate will help your application;
- Your bank may offer an alternative package that is outside the scheme. Check carefully to ensure that this package is in fact better for you;

How we can help? Please contact us if you would like further advice.

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Disclaimer

The above information is provided in good faith and to our knowledge is current as at the date of this sheet. As and when guidance changes or more information becomes available, we will update this guidance.

This document is intended to serve as general guidance only and does not constitute legal advice. The application and impact of laws can vary widely based on the specific facts involved. This document should not be used as a substitute for consultation with professional legal or other competent advisers. Before making any decision or taking any action, you should consult your contact at Butt Miller.

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