

Wilkins Southworth

COVID 19 FINANCIAL REVIEW AS AT 22 OCTOBER 2020

This is my ninth Covid 19 Financial Review and it should be read in conjunction with the previous eight Financial Reviews. All of these reviews have been posted on our website. Today's content is at 22 October and incorporates the Chancellor's announcement of today regarding revisions to the existing Job Support Scheme and Self-Employment Income Support Scheme.

Please remember

TURNOVER is vanity

PROFIT is sanity

But CASH IS KING

Preserve cash at all costs as we don't know how long this will go on for.

Remember an accountant is not there just for the good times. We are still coming into the office every day and will do so as long as we are allowed.

We WILL NOT charge you for any Covid 19 telephone advice.

1. JOB SUPPORT SCHEME (JSS)

The extended furlough scheme ceases on 31 October 2020. The Job Support Scheme commences on 1 November 2020. However, the JSS has been revised from the rules provided in the Chancellor's announcement of 24 September. The new rules are as follows:-

a) Employers facing decreased demand (JSS OPEN)

- (i) The employee needs to work a minimum of 20% of their usual hours.
- (ii) The employer will pay the employee for the hours worked.
- (iii) The employer will also pay 5% of their salary for the hours not worked, up to a maximum of £125 per month.
- (iv) The employer can pay the employee more if they choose.
- (v) The government will pay 61.67% of the hours not worked, up to a maximum of £1,541.75 per month.
- (vi) Therefore the employee will receive at least 73% of their normal wage, where they earn £3,125 a month or less.

An example is as follows:-

- Wilfred normally works 200 hours a month and earns £3,125 per month.
- His company is suffering reduced sales due to Coronavirus. The company puts Wilfred on the JSS Open Scheme and asks him to work 40 hours a month (20% of his normal hours).
- His employer, pays Wilfred £625 for the hours worked (£3,125 x 20%).
- His employer also pays him £125 for the hours not worked (£3,125 x 80% x 5%).
- The Government will give Wilfred's employer a taxable grant of £1,541.75 (£3,125 x 80% x 61.67%) for the hours not worked.

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b) Employers Who are Legally Required to Close Their Premises (JSS CLOSED)

- (i) Where employers have been legally required to close their premises as a direct result of Coronavirus restrictions they can claim the JSS Closed Scheme.
- (ii) Each employee who cannot work due to these restrictions will receive two thirds of their normal pay up to a maximum of £2,083.33 per month.

Scheme Rules

- Both schemes will run for six months from 1 November 2020 to 30 April 2021.
- Employers can only claim for employees that were in their employment on 23 September 2020.
- Employees do not need to have been furloughed under the Coronavirus Job Retention Scheme.
- Employers with 250 or more employees have to undertake a Financial Impact Test before they can make a claim under the JSS Open Scheme.
- The Job Support Scheme grant will not cover National Insurance Contributions or pension contributions.
- The Government will only reimburse employers after they have paid their employee's wages and the associated PAYE tax and employer's and employee's national insurance.

2. SELF-EMPLOYMENT INCOME SUPPORT SCHEME GRANT EXTENSION

This too has been revised from the Chancellor's announcement on 24 September. The rules are as per my eighth Covid 19 Financial Review apart from the fact that the first grant, which covers the period from 1 November 2020 to 31 January 2021 will provide a taxable grant covering 40 per cent of average monthly trading profits, paid out in a single instalment and is capped at a maximum of £3,750.

This is double the previous announcement which was capped at a maximum of 20 per cent of average monthly trading profit.

The level of the second grant, which covers the period from 1 February 2021 to 30 April 2021 has not been decided yet.

3. BUSINESS GRANTS

Cash grants of up to £2,100 per month will be available for businesses in the hospitality, accommodation and leisure sectors. The scheme rules are:-

- (a) The Government will provide funding to Local Authorities in Tier 2 areas for them to distribute to businesses in high alert level areas which are not legally closed but which are severely impacted by the regulations on socialising.

- (b) The size of the grant will be based on the rateable value of the property.
 - Rateable value of £15,000 or under - Grants of £934 per month
 - Rateable value of over £15,000 but under £51,000 - Grants of £1,400 per month
 - Rateable value of £51,000 or over - Grants of £2,100 per month
- (c) It will be up to the Local Authorities to determine which businesses are eligible for grant funding in their area.
- (d) Grants will be paid retrospectively.

4. “A BILLION HERE, A BILLION THERE AND PRETTY SOON YOU’RE TALKING REAL MONEY.”

- a) Public Sector deficit is estimated to be £391 billion. Prior to the Coronavirus pandemic the Government’s Budget of March 2020 estimated this figure to be £55 billion.
- b) The new Job Retention Scheme is estimated to cost £3 billion per month.
- c) The Self Employment Income Support Scheme will cost £3.1 billion for the grant covering 1 November 2020 to 31 January 2021.

This Aide-Memoire is intended as guidance only. This Financial Review is based on information as at 22 October 2020. The situation is continually changing therefore if you need help regarding any of the above, please contact us immediately. You should not rely on the above as advice.

If you would like us to help you please contact Chris Wilkins FCCA, Wilkins Southworth.

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