

Wilkins Southworth

COVID 19 FINANCIAL REVIEW AS AT 24 SEPTEMBER 2020

This is my eighth Covid 19 Financial Review and it should be read in conjunction with the previous seven Financial Reviews. All of these reviews have been posted on our website. Today's content is as at 24 September and incorporates the Chancellor's announcement of today regarding the new Job 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 in to 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

The extended furlough scheme ceases on 31 October 2020.

The Job Support Scheme commences on 1 November 2020. This scheme is open to all employees even if they weren't in the Job Retention Scheme (Furlough). However the scheme is not available to employers with more than 250 employees. The new scheme rules are as follows: -

- a) The scheme commences on 1 November 2020 and runs until 30 April 2021.
- b) The employee must work at least a third of their usual working hours.
- c) The employer will pay the employee for the hours worked plus one third of the hours not worked.
- d) The Government will pay the employer one third of the hours not worked, up to a maximum of £697.92 each month.
- e) This means that the employee will receive a minimum of 77% of their salary. The employer will pay 55% and the Government will pay 22%.
- f) In three months time the Government will review the maximum hours threshold.
- g) The government grant, which is taxable on the employer does not cover Class 1 employer's NIC nor pension contributions.
- h) The Government's example is as follows: -
 - Beth works 5 days a week and earns £350 per week.
 - Her company is suffering reduced sales due to Coronavirus. The company puts Beth on the Job Support Scheme and asks her to work just 2 days a week (40% of her normal hours).
 - Her employer pays Beth £140 for the days she works (£350 x 40%).
 - Her employer also pays her £140 for the days she isn't working (£350 x 60% x 2/3).
 - The Government will give Beth's employer a taxable grant of £70 being one third of the hours not worked (£350 x 60% x 1/3).

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Hence in this example: -

- Beth receives £280 being 80% of her salary (£350 x 80%).
- Beth's employer pays a net £210 (£140 + £140 - £70).
- The government pays £70.

As has been highlighted in the press the concern is that despite the Government's welcome assistance, the employer (in the Government's example) will effectively be paying three days pay (£210) for two days work (£140).

2. SELF-EMPLOYMENT INCOME SUPPORT SCHEME GRANT EXTENSION

Despite the Government stating that the Extended Self-Employment Income Support scheme was the final grant, a new scheme called the 'Self-Employment Income Support Scheme Grant Extension' has been introduced. The rules are: -

- a) Only those self-employed taxpayers who were eligible for the Self-Employment Income Support Scheme (SEISS) may apply – see my previous articles (which are on our website) for the eligibility criteria.
- b) The extension will provide two grants which will be paid in two lump sums. Each grant will cover a three month period.
- c) The first grant covers the period from 1 November 2020 to 31 January 2021.
- d) The first payment will provide a taxable grant covering 20 per cent of average monthly trading profits, paid out in a single instalment covering three months' worth of profits and is capped at a maximum of £1,875.
- e) The second grant will cover the period from 1 February 2021 to 30 April 2021.
- f) The level of the second grant has not been decided yet.
- g) Both grants are subject to Income Tax and National Insurance.
- h) The government will provide details of how to claim the grants in due course.

3. JOB RETENTION BONUS

Companies will be able to claim a job retention bonus of £1,000 per employee if they bring a member of staff, who is currently on furlough, back to work and keep them employed until 31 January 2021.

4. VAT CUT EXTENSION

The VAT payable by tourism and hospitality businesses is currently 5%. This reduced rate of VAT was due to cease on 31 January 2021. This has now been extended to 31 March 2021.

5. GOVERNMENT BACKED LOANS

The repayment period for Bounce Back Loans and Coronavirus Business Interruption Loan Scheme (CBILS) has been extended from six years to ten years. The application deadline has been extended to 30 November 2020.

6. BOUNCE BACK LOANS

You can pause the repayment of these loans or move to interest only repayments for a period of up to six months.

7. DEFERRED VAT PAYMENTS

VAT payments which were due between 20 March 2020 and 30 June 2020 could be deferred until 31 March 2021. These can now be paid in eleven instalments during 2021/22 and are interest free.

8. DEFERRED PERSONAL INCOME TAX PAYMENTS

Personal tax payments which were due to be paid on 31 July 2020 were deferred until 31 January 2021. However, these can now be paid over a twelve month period as long as the liability is no more than £30,000.

9. NEW LOAN SCHEME

The Government will announce a new loan scheme for January 2021.

10. "A BILLION HERE, A BILLION THERE AND PRETTY SOON YOU'RE TALKING REAL MONEY."

- a) Public Sector deficit is now planned to be £400 billion. Prior to Coronavirus pandemic the government's Budget of March 2020 estimated this figure to be £55 billion.
- b) The Job Retention Scheme is estimated to cost £1 billion per month (based on 3.3 million eligible employees).
- c) The furlough Scheme cost about £4 billion per month.
- d) Tackling the virus has cost the government £200 billion.
- e) Banks have so far lent £58 billion under the loan schemes.
- f) The Government have cancelled this year's Budget which was due in November 2020.

This Aide-Memoire is intended as guidance only. This Financial Review is based on information as at 24 September 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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