

# *Wilkins Southworth*

## **COVID 19 FINANCIAL REVIEW AS AT 26 MARCH 2020**

This is my second Covid 19 Financial Review and it should be read after reading my first Financial Review which was as at 21 March 2020. Today's content is as of Thursday 26 March and incorporates the Chancellor's speech regarding the self employed last night. As all of this is very new, we haven't got all the details, but this is a starting point.

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 as long as we are allowed.

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

The measures are: -

### **1. SELF-EMPLOYMENT INCOME SUPPORT SCHEME**

- a) Please remember that a self employed person is one that fills in a Self Assessment Tax Return and ticks box 2 (self-employment) or box 3 (Partnership) on page TR2 of their Self Assessment Tax Return. Therefore, the following are examples of people who ARE NOT self employed (if this is their sole source of income).
  - Directors of their own limited companies.
  - Shareholders of their own limited companies.
  - People solely in receipt of rental income ie passive income.
- b) Self-employed people or partnerships will receive a grant up to a maximum of 80% of their profits or £2,500 per month, whichever is the lower.
- c) This grant is taxable.
- d) HMRC will calculate the average profits from your last three years tax returns eg 2016/17, 2017/18 and 2018/19 (unless fewer years are available).
- e) This is only available where the majority of your income derives from self employment.
- f) This is not available if your annual profits are more than £50,000.
- g) The scheme runs from 1 March until 31 May 2020, unless extended.
- h) You don't have to do anything. No claim is necessary. HM Revenue & Customs will contact you.
- i) You will not receive any money until June 2020.
- j) You must have filed your 2018/19 tax return (there is a four week extended window to do this).
- k) You must be trading (or would be except for Covid 19) in 2019/20.
- l) You must intend to trade in 2020/21.

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## 2. JOB RETENTION SCHEME

- a) The Government will pay the lower of 80% of the cost to the employer of employing that member of staff or £2,500 per month.
- b) The cost of employing that staff member includes employer's national insurance and the minimum payment due under Auto Enrolment. The monthly recoverable sum is: -

	£
Gross monthly salary x 80%	A
Employer's national insurance	B
Minimum Auto Enrolment	<u>C</u>
	<u>D</u>

Where A cannot be more than £2,500 per employee per month.

Bonuses, commissions and fees are not included in the gross salary calculation.

- c) The minimum period that you can furlough an employee is three weeks. The maximum period that you can furlough an employee is three months. Although the Chancellor has said that he is willing to extend this if necessary.
- d) A furloughed employee cannot do any work for the company whatsoever.
- e) To claim the relief the employee must be employed on 28 February 2020 ie you cannot claim it for employees who start work after this date.
- f) The amount that can be claimed is the higher of the salary paid to the employee in the same month last year or an average of the last year's salary.
- g) This doesn't stop the furloughed employee working for another employer during this period.
- h) You cannot claim under the Job Retention Scheme if the employee is off work under the Statutory Sick Pay Scheme.
- i) Any monies claimed under the Job Retention Scheme is treated as taxable income in the hands of the employer.

## 3. VAT

Please remember to stop any direct debits you have set up to pay your VAT for any VAT due between 20 March and 30 June 2020. You then need to restart your direct debit.

## 4. INCOME TAX

The Chancellor has now confirmed that not only can the self employed defer their income tax liability which is ordinarily due on 31 July 2020 until 31 January 2021 but now anyone in the Self Assessment system who has a tax liability falling due on 31 July 2020 can defer this until 31 January 2021.

## **5. LANDLORDS**

- a) Residential tenants have already been given the protection that landlords will not be able to start proceedings to evict them for at least a three month period. This also applies to private and social renters.
- b) The Government has now confirmed that all commercial property tenants may also defer rent payments for a quarter without the risk of eviction.

## **6. BUSINESS RATES**

The Government are extending this relief on a regular basis to encompass more businesses please do check your eligibility at Gov.uk.

## **7. CORONAVIRUS BUSINESS INTERRUPTION LOAN SCHEME**

We have heard of banks requiring property to be supplied as security against the loan or personal guarantees being requested. The reason being that if the loan is defaulted the banks are required to exhaust all methods of being paid before they can call on the Government guarantee. However, most of the high street banks are now moving to not requesting personal guarantees.

I mentioned in my last email that there are a lot of scams around and we have already seen some of these surfacing. My concern is that as HM Revenue & Customs have already stated that they will contact you to advise if you are eligible for a Grant under the Self Employment Income Support Scheme then this means that yet more scams will appear. If you are at all unsure about any correspondence received from HM Revenue & Customs, please contact us.

Please note that the above Aide-Memoire is intended as guidance only. This information is based on information as at Thursday 26 March 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.

You can contact us at:

Wilkins Southworth  
Chartered Certified Accountants  
Registered Auditors  
10-12 Barnes High Street  
Barnes  
London SW13 9LW

Phone: 020 8878 3949

Email: [cw@wilkinssouthworth.co.uk](mailto:cw@wilkinssouthworth.co.uk)