

Wilkins Southworth

COVID 19 FINANCIAL REVIEW AS AT 31 MAY 2020

This is my seventh Covid 19 Financial Review and it should be read in conjunction with the previous six Financial Reviews. All of these reviews have been posted on our website. Today's content is as of 31 May and incorporates the Chancellor's announcement on Friday regarding a further extension to the Furlough 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 as long as we are allowed.

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

1. EXTENDED FURLOUGH SCHEME

The Chancellor announced on Friday that the Coronavirus Job Retention Scheme will be extended as follows: -

- a) From 1 July employers will be given the flexibility to bring furloughed employees back part time. Employers will be able to decide the hours and shift patterns that the employees work, but they (not the Government) will be responsible to pay their employees for that work.
- b) From 1 August the level of Government support under this scheme will reduce, as follows:

August

The Government will continue to pay the wages of the employees, up to a maximum of £2,500 per month. The employers will be responsible for paying the employer's national insurance and the pension contributions.

September

The Government will pay 70% of the wages of the employees, up to a maximum of £1,875 per month. The employers will be responsible for paying 10% of the employees' wages, up to the cap of £2,500 per month, the employer's national insurance and the pension contributions.

October

The Government will pay 60% of the wages of the employees, up to a maximum of £1,875 per month. The employers will be responsible for paying 20% of the employees' wages, up to a cap of £2,500 a month, the employer's national insurance and the pension contributions.

2. EXTENDED SELF-EMPLOYMENT INCOME SUPPORT SCHEME

- a) The Government has announced that a second and final grant will be payable to eligible self-employed people. The rules are exactly the same as the first grant.
- b) This second grant will cover the three month period of June, July and August.
- c) Self-employed people or partnerships will receive a grant of up to a maximum of 70% of their profits or £6,570 for this three month period.
- d) Applications for this second grant will open in August.
- e) Applicants for the second grant need not have applied for the first grant i.e. they may have been adversely affected by Covid 19 only in this second grant period.
- f) Eligible tax payers must apply for the first grant by no later than 13 July.

3. TRADE CREDIT INSURANCE GUARANTEE

The Government will provide guarantees for all currently available trade credit insurance.

4. MORTGAGE HOLIDAY SCHEME

This scheme has been extended by a further three months to six months in total and ends on 31 October 2020.

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

- a) Public Sector borrowing rose from £11 billion to £62.1 billion last month. This one month increase is as much as the Government borrowed for the whole of the previous twelve months. The Government has not borrowed this much money since records began.
- b) National Debt is now at 97.7% of GDP and rising.
- c) Tax receipts fell by 26.5% in April, largely due to a fall in VAT receipts of 43.6%.
- d) One piece of good news is the £3.75 billion of bonds that the Government issued to partly fund this bears interest at the rate of -0.003%.

This Aide-Memoire is intended as guidance only. This Financial Review is based on information as at 31 May 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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