

Wilkins Southworth

COVID 19 FINANCIAL REVIEW AS AT 3 MARCH 2021

This is my eleventh Covid 19 Financial Review and as with my previous ten Financial Reviews, it should be read in conjunction with them. This review incorporates just the Covid relevant announcements that were made in today's budget by the Chancellor.

There is a James Bond film called 'Never Say Never Again' which comes to mind when reviewing these measures as some of them are extensions of schemes that we were told were being ceased. However, as John Maynard Keynes said 'When the facts change, I change my mind.'

Therefore this review assumes that you have read my earlier Financial Reviews which have all been posted on our website.

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. CORONAVIRUS JOB RETENTION SCHEME EXTENDED

- The Coronavirus Job Retention Scheme (Furlough Scheme) was first introduced on 1 March 2020.
- The scheme was due to expire on 30 June 2020 but on 29 May it was revised and extended until 31 October 2020.
- On 24 September the Job Support Scheme was announced, which was planned to commence on 1 November 2020.
- On 22 October the Job Support Scheme, which was planned to commence on 1 November 2020 was revised to the Job Support Scheme Open and the Job Support Scheme Closed.
- On 31 October it was announced that with effect from 1 November 2020, the new scheme would be the Coronavirus Job Retention Scheme Extended.
 - a) The Scheme was due to finish on 31 March 2021. This will now be extended until 30 September 2021.
 - b) Employees will continue to receive 80% of their current salary for hours not worked, up to a maximum of £2,500.

- c) From 1 July employers will pay 10% of the employees' wages and the Government will contribute 70%.
- d) From 1 August employers will pay 20% of the employees' wages and the Government will contribute 60%.

2. SELF-EMPLOYMENT INCOME SUPPORT SCHEME GRANT EXTENSION

- The Self-Employment Income Support Scheme Grant was first introduced on 1 March 2020.
- The scheme was due to expire on 31 October 2020.
- On 24 September the Self-Employment Income Support Scheme Grant Extension covering the period from 1 November 2020 to 31 January 2021 was announced. This provided a taxable grant covering 20 percent of average monthly trading profits, paid out in a single instalment covering three months' worth of profits and was capped at a maximum of £1,875.
- On 22 October the Self-Employment Income Support Scheme Grant Extension covering the period from 1 November 2020 to 31 January 2021 was doubled, such that the taxable grant would cover 40 percent of average monthly trading profits. This has now been revised and the new rules are as follows:-
 - a) This Scheme will be extended to 30 September with a fifth grant covering the five months from 1 May to 30 September 2021.
 - b) Newly self employed people, who were previously excluded from the Scheme are being invited to apply for the fourth grant (1 February – 30 April 2021) and the fifth grant.
 - c) Newly self employed will only be eligible if they have submitted their 2019/20 income tax return to HM Revenue & Customs by 2 March 2021.
 - d) The fourth grant will be 80% of three month's average trading profits, capped at £7,500.
 - e) The fifth grant will review the reduction in turnover from April 2020 to April 2021. A payment will be made as follows:-
 - 80% of three months' average trading profits, capped at £7,500, for those with a turnover reduction of 30% or more.
 - 30% of three months' average trading profits, capped at £2,850, for those with a turnover reduction of less than 30%

3. BUSINESS GRANTS

Restart Grants of up to £18,000 will be offered to businesses in the hospitality, leisure, personal care and gym sectors.

4. VAT

The 5% VAT rate payable by tourism, hospitality and holiday accommodation businesses was due to cease on 31 January 2021. It was then extended to 31 March and has been extended again until 30 September 2021. From 1 October it will increase to 12½% VAT and from 1 April 2022 it will revert back to 20% VAT.

5. GOVERNMENT BACKED LOANS

A Recovery Loan Scheme will be introduced when the Bounce Back Loans and Coronavirus Business Interruption Loan schemes cease. These will commence on 6 April 2021 until 31 December 2021 and will lend sums of between £25,000 and £10 million to help grow businesses. This will cover the costs of management training, digital technology advice and software discounts.

6. BUSINESS RATES

Eligible businesses in the hospitality, retail, leisure sector and nurseries will continue to benefit from 100% Business Rates relief up to 30 June. Relief will reduce to 66% from 1 July 2021 to March 2022.

As with a householder's mortgage the Government has laid out plans to reduce their Covid borrowing down from £355 billion. Whilst they have undoubtedly benefited from a low interest environment, an increase in interest rates by just 1% would add £25 billion to their interest bill.

This Aide-Memoire is intended as guidance only. This Financial Review is based on information as at 3 March 2021. 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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