July 2020

CHANGES TO CORONAVIRUS SUPPORT SCHEMES

It was three months ago that we first wrote about the various support schemes which the Government had introduced to help support businesses and individuals through the Coronavirus pandemic. Since then there have been various changes to the main support schemes introduced by the Government and it is worth recapping on some of the more recent changes. I highlight a few of these below. In particular, if you are self-employed or VAT registered you may need to take urgent action on the points mentioned below.

Self-Employment Income Support Scheme (SEISS)

HMRC started to contact those who are eligible for this scheme on 4 May and the first claims were able to be made from 13 May onwards. Under the scheme, eligible sole traders or partners of a partnership were able to make a claim for 80% of their average monthly trading profits, paid out in a single instalment covering 3 months' worth of profits, and capped at £7,500 in total.

If you are eligible for this first grant you must make the online claim via HMRC's website on or before 13 July.

The Chancellor announced on 29 May that the SEISS would be extended to 19 October 2020 and applications for a second and final grant under the scheme can be made from 17 August 2020. This grant will be a further taxable grant but this time worth 70% of your average monthly trading profits, paid out in a single instalment covering a further 3 months' worth of profits, and capped at £6,570 in total.

You can claim for the second and final grant even if you did not make a claim for the first grant, but you must be eligible (the same eligibility criteria apply as for the first grant) and you will have to confirm that your business has been adversely affected by Coronavirus on or after 14 July 2020.

It is important to remember that both of these grants are taxable grants and liable to National Insurance (NI), so Income Tax and Class 4 NI will have to be paid on these grants via your 2020/21 Self-Assessment Tax Return.

Coronavirus Job Retention Scheme

The Coronavirus Job Retention Scheme (CJRS) was announced at the end of March and allows employers to claim 80% of their furloughed employees' usual wages up to £2,500 per month, plus employer's NI and employer pension contributions.

It was previously announced that the CJRS would be extended until 31 October 2020 but there are various changes to the scheme which started to apply from 1 July, and which gradually reduce the amount that can be claimed under the scheme, as follows:

- From 1 July 2020, businesses have been given the flexibility to bring furloughed employees back part time. The detailed rules regarding the operation of this and the interaction with the CJRS claims are complex, but in essence, the Government will continue to pay 80% of wages (but for the 'usual hours not worked', where the employee in question returns to work on a reduced hours basis), up to a cap of £2,500 per month, as well as employer's NI and employer pension contributions;
- For August, the Government will continue to pay 80% of wages on this basis, up to a cap of £2,500 but employers will pay the employer's NI and pension contributions;
- For September, the Government will pay 70% of wages up to a cap of £2,187.50 and employers will pay the employer's NI and pension contributions, and 10% of wages to make up 80% total, up to a cap of £2,500;
- And finally, for the month of October, the government will pay 60% of wages up to a cap of £1,875 and in addition to the employer's NI and pension contributions, the employer will also have to contribute 20% of wages to make up 80% total, up to a cap of £2,500.

It is important to note that, from 1 July 2020, there is no minimum furlough period but only employees who have been furloughed for at least three weeks on or before 30 June 2020 will be eligible for the scheme, therefore any employees furloughed for the first time after 10 June 2020 will not be eligible for support in the final four months of the scheme.

Deferred VAT payments

All VAT-registered businesses had the option to defer (to 31 March 2021) any VAT payments due between 20 March and 30 June 2020. HMRC did not need to be notified of the deferral but if you pay your VAT liabilities by direct debit, you had to put a stop on the direct debit payment due in the period between 20 March and 30 June.

From 1 July 2020, VAT returns need to continue to be submitted as normal, and on time, with the VAT paid in full if the due date for the VAT payment is on or after 1 July 2020. HMRC are therefore urging businesses to reinstate cancelled direct debit mandates at least three working days before submitting their next VAT return.

The due date for VAT payments in respect of the quarter ended 31 May 2020 was 7 July so if you haven't already re-instated your direct debit or made payment, you may have triggered a surcharge notice to be issued by HMRC, meaning if you are late with a further VAT Return or payment in the next twelve months, a surcharge penalty may be levied by HMRC. Those businesses with VAT quarters which end on 30 June and subsequent should take action sooner rather than later to reinstate direct debit mandates, where this is the preferred method of payment.

The above is for general guidance only and no action should be taken without obtaining specific advice.

Bath
37 Great Pulteney Street
Bath
BA2 4DA
+44 (0)1225 460491

Chippenham
67 & 68 St Mary Street
Chippenham, Wiltshire
SN15 3JF
+44 (0)1249 444666

Trowbridge
5 Wicker Hill
Trowbridge, Wiltshire
BA14 8JS
+44 (0)1225 764441