



COVID 19:
ESSENTIAL GUIDE
FOR EMPLOYERS
AND BUSINESS
OWNERS

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1 Overview

As the COVID-19 pandemic continues to cause significant disruption to the UK economy, affecting the majority of businesses, the Government has announced a series of measures in a financial package which aims to assist enterprises during this period.

This guide will focus primarily on the financial assistance which has been made available to businesses which can be defined as being small or medium enterprises, however some of the measures, such as the Coronavirus Job Retention Scheme, are applicable to all businesses.

Other initiatives have also been put in place, such as changes to the insolvency rules, and assistance for companies who may struggle to pay their taxes.

2 Small and medium enterprises (SME's)

The Companies Act 2006 sets out the requirements for a business to be defined as an SME. There are separate requirements for a company to be considered as a 'small' enterprise and a 'medium-sized' one, as set out below:

a) Small companies:

To be a small enterprise, a business must satisfy **two or more** of the following requirements for a financial year (1 April – 31 March of the following year):

- i) **Turnover:** not more than **£10.2 million**
- ii) **Balance sheet total:** not more than **£5.1 million**
- iii) Number of **employees:** not more than **50**

b) Medium-sized companies:

To be a medium-sized enterprise, a business must satisfy **two or more** of the following requirements for a financial year:

- iv) **Turnover:** not more than **£36 million**
- v) **Balance sheet total:** not more than **£18 million**
- vi) Number of **employees:** not more than **250**

3 Your staff:

The Government has introduced a scheme which will provide a grant to employers to cover a proportion of their employees' wages.

3.1 The Coronavirus Job Retention Scheme (CJRS)

This is a temporary scheme that will be available to any UK employer from 1 March 2020. Under this scheme, an employer can place its employees on furlough (a temporary leave of absence), in which the employees are not permitted to carry out any paid work for their employer. The employer will then receive a cash grant from the Government in order to cover a proportion of their employees' wages. The scheme will initially run until 31 May 2020, although it is subject to further review.

3.1.1 The cash grant

Employers can claim **80% of their employees' monthly wages**, through an online portal set up by Her Majesty's Revenue and Customs (**HMRC**). The 80% payment will be **capped at £2,500 per month**, and so the grant will therefore provide for either 80% of an employee's regular monthly wage, or £2,500, whichever is lower. Employers can elect to 'top-up' their employees' wages to 100% if they wish to do so.

The wage costs for salaried staff will be their salary as at 28 February. For employees with variable working hours, the higher of either the same month's earnings in the previous year, or the average monthly earnings from the 2019/20 tax year can be used. For employees who have been employed for under a year, the average of their monthly earnings can be used.

HMRC will also pay the Employer National Insurance contributions and minimum automatic enrolment employer pension contributions for each furloughed employee, but this will only be in respect of the 80% grant, not any extra wages that the employer tops up themselves. This money will be allocated to businesses as a grant, and therefore it will not need to be repaid.

3.1.2 Eligibility for the scheme

In order to be eligible for the grant, an employer must have a **UK bank account** and a **PAYE pay roll scheme** that was created on or before 28 February 2020, however there are no additional restrictions.

3.1.3 The 'furloughing' process

In order to access the grant, businesses must decide which employees will be furloughed, and notify them of this. As this amounts to a change of employment status,

employers must be aware that their employees must consent to this change, for example by countersigning a letter which confirms their agreement to being furloughed.

Any employee who was on the company pay roll from 28 February 2020 can be furloughed, even if they earn more than the cap of £2,500 per month, **except** if they fall into any of the following **excluded categories**:

- employees who were on **unpaid leave** prior to 28 February 2020;
- employees who are working on **reduced hours** or **reduced pay**;
- employees receiving Statutory Sick Pay (**SSP**);
- **public sector** employees;
- employees of businesses/organisations in receipt of **public funding** which **covers staff costs**.

Apprentices can also be furloughed; however, employers must pay at least the Apprenticeship Minimum Wage, National Living Wage or National Minimum Wage for all periods of training carried out (for example through e-learning) during the time that they are furloughed. Therefore, employers will be responsible for any discrepancy between the amount claimed and the minimum wage. The government has published detailed guidance on apprentices, which can be accessed via this link: <https://www.gov.uk/government/publications/coronavirus-covid-19-apprenticeship-programme-response/coronavirus-covid-19-guidance-for-apprentices-employers-training-providers-end-point-assessment-organisations-and-external-quality-assurance-pro>.

The following categories of people can also be furloughed provided that they are paid via **PAYE**:

- company **directors**;
- salaried members of Limited Liability Partnerships (**LLP**'s);
- individuals such as **agency workers** working under umbrella companies;
- individuals classified as **workers**.

Employees (including company directors) who have been placed on furlough are **not allowed** to carry out any work that would generate revenue or perform any services on behalf of the company. Employees are allowed to volunteer, such as for the NHS.

3.1.4 The HMRC online portal

The HMRC online portal for employers to submit their claims for the grant will be active as of 20 April 2020. The portal will be available 24/7 and the system is now being 'stress-tested' with the intention that it will be able to run 450,000 claims an hour.

Payments will be made to employers from 30 April and will take 4-6 working days to reach employers from the date that they make the claim.

March wage payments must be made to employees by their employer as usual. If an employer does not pay an employee their usual wage on the correct date, then this would be an unlawful deduction from wages.

The grant can be backdated to any point until 1 March 2020 from the date that the employee was furloughed. March wages for these employees from the point that they were furloughed will also be provided as part of the grant, but this will not be received until at least the end of April.

Once the HMRC online portal is set up, employers can claim for the grants. Initially claims can be made for a minimum of a three week period, up to 31 May 2020.

To make their claim, employers will need:

- Their PAYE number;
- Number of employees being furloughed;
- Start and end date of period claimed for (the furlough period) NB: the furlough period runs from the date the employee stops working, not the date the agreement is made;
- The amount claimed (per minimum three week period);
- Bank account number and sort code;
- Contact name and number.

HMRC will then check the claim and make payment of the grant by BACS to the employer's UK bank account.

3.1.5 Holiday rules

All employment rights will continue even whilst an employee is furloughed. Therefore, holiday pay will continue to accrue. Workers who have not taken 20 days' worth of holiday entitlement due to COVID-19 can carry it over onto the **next two leave years**.

3.1.6 Immigration

Sponsored employees can also be furloughed, as long as it is under a company-wide policy and all workers are treated in the same way.

4 Cash grants for small and medium businesses:

4.1 The Small Business Grant Scheme

This is additional funding for some small businesses which are already eligible for small business rate relief (**SBRR**), rural rate relief (**RRR**) and tapered relief.

4.1.1 The cash grant

The Government will provide a **one-off grant of £10,000**, which can be used by businesses for their ongoing costs, and to assist with paying furloughed employees until the CJRS grant is received.

4.1.2 Eligibility for the scheme

You will be eligible if:

- a. Your business is **based in England; and**
- b. You are in receipt of **business rate relief** or **rural rate relief** as of 11 March; **and**
- c. You are a business that **occupies a property**.

4.1.3 How to access the scheme

In order for businesses to access this scheme, most local authorities will contact each eligible enterprise. However, some local authorities have chosen to run an application process, and so it is recommended that any business which is seeking to benefit from the scheme checks their local authority's website for further information. The list of local authorities can be accessed via the following link: <https://www.gov.uk/find-local-council>.

4.2 The Retail and Hospitality Grant Scheme

This grant has been introduced to support businesses in the retail, hospitality and leisure industries.

4.2.1 The cash grant

Eligible enterprises in these sectors will be able to access a **cash grant of either £10,000 or £25,000** per business property, which is dependent on the two classifications set out in the next section.

4.2.2 Eligibility for the scheme

The Government has created two different classifications for businesses, based on their property value, as set out below:

- a. Businesses with a property that has a **rateable value** (the annual rental value of the property if it were available to let on the open market) of **up to £15,000** may be eligible for a grant of **£10,000**.
- b. Businesses with a property that has a **rateable value** of **between £15,000 and £51,000** may be eligible for a grant of **£25,000**.

As established above, there is a **cap of £51,000** on the value of the commercial property. The Government has identified that the businesses that will be assisted by this grant are those with occupied premises, such as shops and restaurants.

4.2.3 How to access the scheme

In order for businesses to access this scheme, most local authorities will contact each eligible enterprise. However, some local authorities have chosen to run an application process, and so it is recommended that any business which is seeking to benefit from the scheme checks their local authority's website for further information. The list of local authorities can be accessed via the following link: <https://www.gov.uk/find-local-council>.

5 Government loans for small and medium businesses:

5.1 The Coronavirus Business Interruption Scheme (CBILS)

This is a scheme which temporarily supports SME's with access to loans, overdrafts, invoice finance and asset finance.

5.1.1 The loan

Loans will be available **up to the value of £5 million**. Term loans and asset finance are available on **repayment terms of up to six years**, whilst overdrafts and invoice finance facilities are available up to **three years**.

This scheme is being run through commercial lenders, although it is backed by the Government-owned British Business Bank. The Government will make a Business Interruption payment to the lenders to account for the first 12 months of interest payments and any lender fees. Therefore, businesses will not have to pay any upfront costs and the initial repayments will be lower.

5.1.2 The personal guarantee

One of the benefits of these loans is that a personal guarantee is not required in order to secure lending of an amount below £250,000.

For a loan above the value of £250,000, personal guarantees will be capped at 20% for the outstanding value of the loans. This is because the Government has agreed to provide the guarantee to the lenders for the remaining 80% of the loan.

5.1.3 Eligibility for the scheme

In order to eligible to receive a loan, your business must:

- a. Be **UK-based** (in terms of its business activity); and
- b. Have an annual **turnover of no more than £45 million**; and
- c. Have a **borrowing proposal** which the lender:
 - i. would consider **viable**, were it not for the current pandemic
 - ii. believes will enable you to **trade out of** any short-term to medium-term **difficulty**

The following businesses are excluded from applying for the loan: banks and building societies; insurers and reinsurers (but **not** insurance brokers); and public sector organisations (including state-funded schools).

5.1.4 How to apply for the scheme

Businesses should apply via their lender's website or through one of the 40 accredited finance providers which are offering the scheme. The full list of the providers can be accessed via this link:

<https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils-2/current-accredited-lenders-and-partners/>.

6 HMRC:

6.1 VAT payments deferral process

The Government has set out some temporary changes to VAT payments due between 20 March 2020 and 30 June 2020, in order to assist businesses with their cash flow.

Businesses can defer VAT payments for this period, however the VAT due must be paid on or before 31 March 2021. VAT payments due following the end of the deferral period must be paid as normal.

Businesses will not need to inform HMRC that they are deferring VAT payments for this period, however, VAT returns still need to be submitted to HMRC on time.

More information about how to repay the deferred VAT will be provided by the Government soon.

For VAT payments normally made by Direct Debit, businesses will need to contact their bank or use online banking to cancel the Direct Debit payments.

6.2 Income tax: 'Time to Pay' and the new helpline

The 'Time to Pay' service is a HMRC phone service, which you can use if you are struggling to pay a tax bill. HMRC will decide whether you should be able to pay the tax bill immediately, or if you should be permitted more time to get payments back on track. This is more suitable for businesses which are fundamentally profitable, as you will be asked to pay immediately over the phone if HMRC do not allow you more time. Instalment plans are usually over three to six months; however, this may be extended to 12 months.

HMRC has set up a new helpline with 2,000 experienced call handlers, which will support businesses who are struggling to pay their tax due to the pandemic.

The helpline will discuss options such as:

- agreeing instalment payments;
- suspending debt collections;
- cancelling penalties and interest where companies have administrative difficulties contacting HMRC or making payment.

Businesses can call 0800 024 1222 for help and advice, Monday to Friday 8am to 4pm.

7 Insolvency:

7.1 Changes to insolvency rules

The Business Secretary, Alok Sharma, has announced new insolvency measures to support UK businesses affected by the pandemic.

There will be a temporary **three-month suspension of the wrongful trading rules**, which will avoid directors incurring personal liability whilst continuing to trade under the threat of insolvency. This will be applied retrospectively from 1 March 2020 and will initially be in place for a period of three months.

There will also be a short moratorium for companies, which will provide breathing space from creditors seeking to enforce their debts and will allow companies time to restructure and attempt to avoid becoming insolvent.

There is also a government proposal for a new formal process whereby a majority of creditors could approve a proposed restructuring, even where priority creditors vote against it.

Companies that are undergoing restructuring will be allowed to continue buying supplies, as clauses in contracts which allow suppliers to terminate agreements because a customer is insolvent will not be enforceable.