



Understandably we're getting a lot of questions from business owners around the help and support available to businesses during the current Covid-19 crisis, many of which are common; and some of which it's impossible to answer until further guidance is released by the Government and HMRC.

In this, the first of what we envisage will be a number of FAQ documents we attempt to answer some of the most common questions arising. As always please refer to the .GOV websites and contact us before taking action on the basis of this document. Professional advice should always be taken, and it would be wise to ensure you have consulted with an employment lawyer to avoid future employment tribunal claims in the case of furloughing employees. E&OE

Salaries and Income Support

Q - If we reduce the number of days/hours worked for certain employees, can we make a reclaim for the time laid off in line with the Coronavirus Job Retention Scheme? For example, if an employee who is contracted to work 5 days has to be dropped to 3 days due to a lack of work, can we reclaim 80% of the salary for the 2 days not worked?

A - As we understand the guidance, to qualify for the reclaim the employee(s) must be temporarily laid off completely. So, if they are still working in some capacity, a salary reclaim would not be possible. However, our understanding is that you can furlough people on a rota basis, i.e. lay them off for 2 weeks then have them work for a week & lay them off again. Remember the scheme is designed to protect those employees who would otherwise be made redundant. We would suggest you speak to your employment lawyer for their view as any decisions you make must be considered with your employment contracts.

Q – Whilst employers will be able to reclaim 80% of the salary costs for furloughed employees, will they still be expected to pay the full salary to the employee and therefore fund the 20% shortfall?

A – No, there is no requirement to top-up to a full salary, but the employer can do so at their discretion subject to their employment contract and the employee giving consent to any variation to their contract. However, if claiming an 80% grant (up to a cap of £2,500 per employee) then the employer must pay 80%, or more, to the employee as to pay a smaller amount would be fraud. We understand that there is a possibility that the grant will ultimately be paid directly to the employee.

Q – If we employ staff on zero-hour contracts, are we obliged to make payments to them, and can they be furloughed?

A – There is no obligation to pay staff on zero hours contracts in exactly the same way as you are under no obligation to give them work under normal circumstances. If they were on the payroll at 28 February 2020 then they may qualify to be treated as a furloughed employee. We understand that the amount of pay that may qualify for this grant could be based on the familiar “average weekly pay earned in the previous 12 weeks”. Again, the detail has yet to be issued by HMRC.

Q – If I have already made a member of staff redundant, should I revoke this, keep them employed and reclaim 80% of their salary from the Government?

A – Entirely up to you. You have the option to revoke the redundancy (back as far as 1st March 2020) and immediately furlough the employee. In this case no redundancy will be payable, and you can claim (and pay the employee) the 80% government grant for at least 3 months. What happens after that though is anyone's guess and if the support is withdrawn and business is not back to normal you may still have to make difficult decisions at that stage. It may be sensible under any furlough arrangement to make it clear that given the current uncertainty and the lack of formal guidance the agreement of 80% of salary may be withdrawn if for any reasons HMRC decides the grant is not payable to you. It might also be considered that you wish to state that you will pay the salary once you have received the funds from HMRC.

Q – I am self-employed and not earning anything due to a fall in sales caused by the Coronavirus. How can I get help to pay my bills and what is the best course of action?

A – We understand that the Government are currently working on a support package for the self-employed. There are numerous technical challenges which has resulted in the support taking more time to announce, but we see that this will certainly be a priority. For now, don't make drastic changes but do consider deferring any self-assessment and VAT payments and keep up to date with Government advice. We will release further guidance once announced.

Q – If I have staff absences due to Coronavirus can I reclaim anything from the Government?

A – Yes, small and medium employers can reclaim two weeks of Statutory Sick Pay per employee who have been absent due to Coronavirus, and the government have confirmed they will pay this from the first day of sickness. Remember you can outsource your payroll to us if you are concerned that you might be missing out on any of the reclaims available or think now is the right time to do so to enable you to focus on other areas of the business.

Q – I am the sole shareholder and director of a Limited company; will I be able to reclaim 80% of my salary?

A – As we understand the guidance, a director would not qualify for the 80% reimbursement because they simply cannot stop working in their role as an officer of a company. For example, they will still be responsible for running the payroll, submitting accounts and tax returns, ensuring the company has the appropriate insurance in place and so on. However, we believe that it is possible to split a furloughed employee, (for example be furloughed for 2 weeks then spend a couple of days running payroll and VAT, which would accrue wages as normal, then be furloughed for a couple of weeks etc.) The income support available for self-employed individuals and unincorporated businesses, which is yet to be announced, might extend to the director-shareholders of owner managed businesses but in either event we'll await further information.

Q – As a director, if I cannot be furloughed, could I resign, providing there are other directors?

A – If you resign as a director you would cease to be an employee and not eligible to be furloughed and therefore miss out on the government scheme, unless the other directors employ you in a different role. However, there are much broader implications of resignation including the responsibilities of directors and the risk of being seen as a 'shadow director', not to mention potential impact on loss of future entrepreneur relief. This is not a decision that should be taken lightly, and professional advice should be sought if you are considering this action.

Q – How will we tell HMRC about Furloughed employees and claim the repayments?

A – In due course you will need to submit information to HMRC about the employees that have been furloughed and their earnings through a new online portal. HMRC will set out further details on the information required and are working urgently to set up a system for reimbursement. Existing systems are not set up to facilitate payments to employers. It is not anticipated that this system will be in operation before April 2020.

Coronavirus Business Interruption Loans (CBIL)

Q – Whilst the loans have effectively gone "live" there is no way of making an application of my bank's website – am I missing something?

A – It's important to remember that it's still early days so the lenders' online infrastructure for applications won't appear overnight. As time goes on, we'd expect that the systems will improve. For now, it is recommended that you contact your relationship manager (if you have one), call the lenders (but prepare yourself for long waiting times) and keep an eye out for our lending portal going live before the end of March (we'll be able to help you find providers that are looking for your type of business as a client!).

Q – From what I understand, the government will cover the first 12 months' worth of interest on these loans, is that correct?

A – Yes, it is correct but only for funding provided as part of the CBIL provisions. If a business would otherwise qualify for borrowings though (i.e. they have their own collateral or could provide other guarantees), agreements will be made under normal commercial terms, and lenders have been instructed by the government to exhaust their own options before reverting to the CBIL scheme.

Q – I think I'll need a formal business plan in order to apply for an Interruption Loan but have never prepared one before. Is this something you can help with?

A – Absolutely. Whilst we are seeing lenders ask for more detailed information as part of a CBIL application this varies from lender to lender although we are happy to help with financial forecasting and business planning, just speak to your usual contact at B&B.

Typical information requested includes:

- Last 3 years full accounts with detailed P&L
- Last 6 months business bank statement (Lloyds Bank usually need 6 months personal as well)
- Up to date management accounts
- Aged debtor and creditor lists
- Confirmation of any outstanding debt (provider, term, repayment)
- Statement of personal assets, liabilities, income and expenditure from all Directors
- Paragraph on how Covid-19 has affected the business and what the funds will specifically be used for.

Q – I don't know if I'll need a business loan or assistance with working capital as I don't know what the current situation holds for my business – should I apply anyway due to the favourable terms?

A – There are terms available now that you might not be able to obtain in the future, but every business is different. We recommend updating your business plan and cashflow forecasts accordingly and use the information you have to help you in your decision making. Done properly, these should highlight whether you'll have any funding gaps.

Other Measures

Q – As the introduction of MTD has come and gone, am I too late to start using a cloud accounting package to enable me to work from homes more easily? We should have done this sooner.

A – Certainly not, cloud accounting packages (such as Xero, our preferred option) are more relevant now than ever before with remote working being almost the only option currently. We're more than happy to assist with set up, migration, training and more – just let us know how we can help; we're always more than happy to provide free a free demo.

Q – If I want to defer qualifying VAT or self-assessment payments what do I need to do?

A – These are automatic offerings from HMRC, so no applications are required. If you normally pay by direct debit you should contact your bank and make sure you cancel the Direct Debit in respect of these payments as HMRC may request payment automatically. It is important though to remember to reinstate this or make individual payments once the deferral period ceases.

Q – Do I still need to submit my VAT return?

A – Yes, whilst HMRC are allowing deferred payments for VAT (and self-assessment alike), all reporting requirements remain.

Q – I understand there are grants available for businesses', but these depend on what business rates are normally payable and what industry we're in. How do we apply for these?

A – To access the funding you do not need to do anything; your local authority will write to you if you are eligible. That said, if you have any queries on eligibility for the reliefs and grants, these should be directed to the relevant local authority. We understand that many councils have already amended rates bills and sent out new bills to businesses locally.

Q – Should I speak to my insurance provider?

A – YES speak to your provider and check the terms and conditions of your specific policies. Insurance policies differ significantly so don't rely on what you hear from other sources. The Government reports that many businesses are unlikely to be covered as standard business interruption insurance policies are dependent on damage to property and will exclude pandemics. That said, some businesses may have cover for pandemics and government-ordered closures, so it is certainly worth checking.