

# **CORONAVIRUS (COVID-19)**

## **FURTHER DEVELOPMENTS (VAT + JOB RETENTION SCHEME)**

The end of last week resulted in some further announcements in respect of UK businesses and supports aimed at protecting small businesses, along with their employees, as much as possible during this Coronavirus (COVID-19) situation.

Further announcements covered the following issues:

- VAT - Deferment of VAT return payments

### **KEY INFORMATION**

This announcement relates to all VAT registered businesses in the UK. It essentially means that businesses that are on quarterly VAT returns for the periods

- To 29th February 2020 / 31st March 2020 and 30th April 2020, and
- with VAT returns and payments due by 7 April / by 7 May and by 7 June

Are NOT required to make any payment to HMRC by those normal payment dates.

Non payment will also NOT result in any 'default' impact, NO interest will be charged and NO debt enforcement actions will be taken in respect of these payments.

Additionally any businesses that make their VAT payments on a direct debit basis SHOULD cancel their direct debit immediately to obtain the payment deferment benefit.

There is no requirement to apply or request the payment deferral from HMRC as it is applied automatically, but please note that any unpaid VAT amounts will need to be paid up to date, along with other future VAT return payments, by 31st March 2021.

## OTHER POINTS

1. VAT refunds and reclaims will be paid to businesses by HMRC as normal
2. the payment deferment is also applicable to VAT registered businesses that submit monthly returns or who make monthly 'payments on account'
3. at present the deferment relates only to VAT payments for the above VAT quarters, and unless there are any further announcements payments after 30th June will be due as normal

PLEASE NOTE - all other taxes due to HMRC are required to be paid per the normal deadlines i.e. the deferment or non payment of any other taxes such as PAYE/NI, corporation tax etc. must be dealt with under the recently announced 'Time To Pay' arrangements (outlined in further detail last week)

[HMRC has a set up a phone helpline 0800 0159 559 which is in place to support businesses and self-employed people concerned about not being able to pay their tax due to coronavirus (COVID-19).

Through this scheme, businesses should be able to agree a 'bespoke' Time to Pay' arrangement for these liabilities, and each arrangement will be agreed on a 'case by case' basis with each business/taxpayer ]

- Coronavirus (COVID-19) Job Retention Scheme (CJRS)

## KEY INFORMATION

The key announcement late last week was the introduction of the Coronavirus Job Retention Scheme, a scheme set up for UK Employers to access support to continue paying part of their employees' salary, for those employees that would otherwise have been laid off (or made redundant) during this COVID-19 situation.

As the Government has indicated that this is aiming to cover as broad a group as possible, it is available to all UK employers, whether a small or large Employer, a sole trader, LLP, partnership, a charity or non-profit organisation etc., who will all be eligible for the CJRS scheme.

Under the scheme, HMRC will reimburse 80% of 'furloughed workers' 'wage costs', up to a maximum per employee of £2,500 per month. Additionally, the scheme has been backdated to 1st March 2020 and is initially for a period of 3 months only (although it can be extended where necessary).

HMRC has been appointed to administer the operation of the CJRS scheme, with the requirements including the following:

- the Employer needs to identify the affected employees as 'furloughed workers' (see below)
- the Employer needs to submit information to HMRC about the employees that have been 'furloughed', their earnings etc., through a new online portal
- it is expected that the Employer will continue to make salary payments to the 'furloughed' employees, but will then be reimbursed by the CJRS scheme

*Please note the following:*

- 1.** there is currently little or no detail on the eligibility of the scheme, the administration around the scheme etc., however this should be released by Government shortly
- 2.** the online portal and/or other systems are not yet setup to support payments to Employers by HMRC, however there is work taking place to bring the system up to date as soon as possible.

Given this situation, there is no confirmed date as to when reimbursement payments will be made by HMRC to Employers, however, it is expected that it will be in place at the latest by the end of April 2020.

For Employers which require short term cash flow support, HMRC/Government are directing them to the Coronavirus Business Interruption Loan Scheme (CBILS) (to pay March or April 2020 salaries ahead of any reimbursement).

## KEY DEFINITIONS

'Furloughed workers' – this means employees or workers who remain on payroll but are temporarily not working during the coronavirus outbreak.

'Wages costs' – this is generally the salary costs of an employee, however it may also cover Employer's NI and pension contributions, however this is currently unclear and awaiting confirmation.

## OTHER ISSUES (TO BE CONFIRMED AND/OR CLARIFIED FURTHER)

- 1.** Continue to Work – It appears that 'furloughed workers' cannot carry out any work at all for the Employer once they have been identified as such e.g. they cannot work part-time or shorter hours.
- 2.** Additional 20% of salary – the current guidance indicates that an Employer may choose (and/or is actively encouraged) to pay the difference between this payment (£2,500) and the employee's total, but there is NO requirement to do so
- 3.** 'Furlough' Process – the current guidance to Employers is that changing the status of employees (to furloughed workers) remains subject to existing employment law and, depending on the employment contract, may be subject to negotiation/agreement with the employee e.g. an employer cannot impose this change without the agreement of the employee
- 4.** Employer's NI and Pension costs – it appears that Employer's National Insurance and pension contributions will continue to be payable by the Employer on the 'furloughed workers' salaries e.g. this will be an additional cost to the Employer on these workers (unless it will form part of the maximum £2,500 reimbursement per employee)
- 5.** Salary Payments – it appears that Employers will make the salary payments to all employees in the normal way (including the 'furloughed' employees), but then will be reimbursed by the CJRS.
- 6.** Reimbursement of salaries – it is expected that the scheme will be backdated to 1 March 2020 and will be open for reimbursement payments before the end of April i.e. it is likely that the salary values etc will be based on those included in payrolls at 1st March 2020.

- 7.** Redundant Employees – where employees have already been ‘laid off’ or made redundant post 1st March 2020 and prior to the announcement of the scheme, it appears that these employees can be included back on the payroll and included from 1st March within the CJRS scheme
- 8.** Reimbursement Payments – it is expected that the first payments will be made by HMRC prior to the end of April, however as to how quickly AFTER the Employer has made the salary payment to employees, it will be received from HMRC is currently unknown.
- 9.** Zero hours/maternity, short time working workers etc. – this is unknown at present, although is expected that some type of averaging (based on or around 1st March 2020) will be applicable for these types of employees
- 10.** Reduced hours or part time – the scheme does not currently allow for any part time or reduced hours workers’ salaries to be reimbursed e.g. it appears that workers need to be ‘laid off’/ made redundant (or not)
- 11.** Reimbursement Process – there is currently no additional information as to the detail behind triggering the payments
- 12.** Directors/Shareholders – it is unclear if a Director can put him/herself into a ‘furlough worker’ status.
- 13.** Directors/Shareholders + Dividends – It is also unclear in the circumstances that a Director is eligible for reimbursement (see above), as to whether a it is ONLY can the salary per the payroll that will be included in the CJRS scheme for reimbursement i.e. it is assumed that any dividend income is ignored in the calculation for the CJRS scheme.
- 14.** Salary Increases – to avoid any abuses of the CJRS scheme (although currently unclear in any guidance), it is likely that salaries will be based on those at 1st March 2020 to avoid any sudden increases in salary values ahead the April 2020 reimbursement process
- 15.** Employees – it is currently unclear if employees with health issues, and are now likely to be told to self isolate by the Government for 12 weeks, can be included as ‘furloughed workers’ under the CJRS scheme
- 16.** Employees – where an employee is receiving a reduced salary as a result of these changes, they may be eligible for support through the welfare system, including Universal Credit.

There will be updated guidance and clarity issued by HMRC and/or the Government in due course, which we will of course monitor and keep up to date with as much as possible in respect of the above!

Obviously we will also continue to work with our existing clients:

- 1.** to ensure that we can either answer any questions they may have on the CJRS scheme itself where we can (and HR specific questions permitting) and
- 2.** to ensure that the appropriate information is submitted to the HMRC online portal (when it becomes available), so that they can obtain the necessary reimbursements from HMRC

Separately where any of our clients are considering accessing the Coronavirus Business Interruption Loan Scheme (CBILS), then I am happy to arrange a FREE 20 minute Zoom meeting whether it is to discuss the operation of the scheme itself, likely documentation/information requirements for lenders, preparing a cashflow forecast etc.