

FAQS FOR BUSINESSES AFFECTED BY COVID-19 (UPDATED 01.06.20)

PREFACE

Every Sopher + Co client regardless of size and in all industries have had their business impacted by COVID-19.

The content of this FAQ document provides guidance to **ALL** businesses of **ANY** size and has been updated to reflect changes as per the Chancellor's announcement on the 29th May 2020.

As I have mentioned previously, my philosophy is that there is no such thing as a stupid question. So please contact your Sopher + Co contact in connection with any question you may have – 0208 207 0602.

Even if we do not have the expertise within the firm, I assure you that we can put you in touch with the right person within our extensive network of contacts.

As we look to the future and return to a “new normal” the main thing you can do is be prepared and plan for the unexpected. It is especially important that your financial data is fully up to date, and that you continue to monitor the key financial indicators, so you know the state of your business and its financial situation. We are able to provide insight into what is happening around the world, taking you through the changes and actions you should be considering and advising you on the support available. This may even include identifying opportunities as you rebuild your business.

Remember, during this time it is important to continue ongoing conversations with your key suppliers, especially your Landlord. In our experience these stakeholders are likely to be receptive to reasonable suggestions and this could assist with cash flow management.

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SHORT-TERM MEASURES OFFERED BY GOVERNMENT

DEFER VAT UNTIL JUNE 2020

The Government have set out [here](#) the option for businesses to defer VAT payments that fall due from 20 March 2020 to 30 June 2020.

Business will be given until 31 March/5 April 2021 to pay any liabilities that have accumulated during this deferral period. This is automatic. The only action you need to take advantage of this is to cancel any direct debit in respect of VAT payments.

If you have a VAT payment that fell due before 20 March 2020 and you have not yet paid it, you can contact the HMRC emergency COVID time to pay line on 0800 0159 559 and agree similar terms. Details of this helpline can be found [here](#).

If you have any difficulty with this, please get in touch with your usual Sopher + Co contact.

DEFER YOUR 31 JULY SELF ASSESSMENT PAYMENT ON ACCOUNT

All self-assessment tax payments for the second payment on account for 2019/20 due by 31 July 2020 have been deferred until 31 January 2021, details are set out [here](#).

This is automatic. No action is needed by you to take advantage of this.

BUSINESS RATES PAYMENT HOLIDAY FOR HOSPITALITY, LEISURE AND RETAIL INDUSTRIES

The Government have announced [here](#) that a business rates holiday will be extended to all businesses in the hospitality, leisure and retail industries, regardless of size and turnover, meaning they will pay no business rates for the next 12 months.

All businesses within these sectors with a rateable value of under £15,000 will receive a cash grant of £10,000. Those with a rateable value of between £15,000 and £51,000 will receive a cash grant of up to £25,000.

This means that businesses that pay little or no business rates because of Small Business Rate Relief (SBRR) or Rural Rate Relief may be able to obtain a one-off grant to help meet their business costs through this crisis to ease their cash flow burden.

No specific action is needed by you, if your business is eligible for SBRR or Rural Rate Relief you do not need to apply, you will be contacted automatically by your local authority.

DEFER YOUR PAYE AND CORPORATION TAX

It is our experience that it should be possible to arrange time to pay arrangements with HMRC in connection with the above taxes by contacting the HMRC emergency COVID time to pay line on 0800 0159 559 and speak with an officer to discuss a time to pay arrangement.

In the current economic climate HMRC are being more flexible than usual, so now would be a good time to make the most of their goodwill if you have tax related debts to settle.

Again, if you are experiencing difficulty with agreeing a suitable payment plan with HMRC please get in touch with your usual Sopher + Co contact.

WHAT GOVERNMENT SUPPORT IS AVAILABLE - GRANTS

Over the UK Lockdown period the Government have made a number of announcements to help business look after their employees and to protect their jobs in the short term. These are:

- Statutory Sick Pay (SSP) relief packages for small and medium sized businesses (SMEs)
- The Coronavirus Job Retention Scheme to issue grants covering 80% of the salary of workers who would otherwise have been laid off
- Support for the self-employed, including Partnerships (SEISS)
- Future Fund & Innovative Business Grant
- Support grants for charities

WHAT IS THE SSP RELIEF PACKAGE?

During the week ended 20 March, the government made the following announcement, details of which can be found [here](#), to support businesses who are paying sick pay to employees.

Broadly this helps employers with fewer than 250 staff, pay SSP (£94.25 per week before 6 April 2020 and is now £95.85) to staff and can claim it back from the Government. The refund will cover up to 2 weeks' SSP per eligible employee who has been off work because of COVID-19.

As of the 26 May, HMRC opened up its Statutory Sick Pay (SSP) rebate claim service, accessible through the following link: <https://www.gov.uk/guidance/claim-back-statutory-sick-pay-paid-to-your-employees-due-to-coronavirus-covid-19>.

If we are your acting payroll agent, we will be able to process these SSP claims on your behalf. Please get in touch with your usual Sopher + Co contact to arrange.

CORONAVIRUS JOB RETENTION SCHEME

The CJRS was set up to try and protect as many jobs as possible which all our clients want to do. The latest government guidance on the scheme is available [here](#).

As opposed to making staff redundant or making lay-offs, employers have been able to furlough their staff and claim 80% of an employee's salary (subject to a monthly cap of £2,500) from the Government.

The furlough scheme applies to **ALL** businesses (be they small, large, charitable or not-for profit) where an employee is temporarily laid off or given a leave of absence due to Covid-19. Furloughed employees must have been on company PAYE payroll and appeared on an RTI submission on or before 19 March 2020. Employees hired after 19 March 2020 cannot be furloughed.

As an employer you can reclaim 80% of an employee's salary (subject to a monthly cap of £2,500) from HMRC backdated to 1 March 2020. The scheme has been extended until 31st October 2020, but employers will need to contribute to the scheme from 1st August 2020. These contributions which will remain subject to the monthly cap of £2,500 will be:

- From 1st August 2020: Employers to pay NIC and Pension
- From 1st September 2020: Furlough rate remains at 80% but HMRC to cover 70%, and employer covers remaining 10%

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- From 1st October 2020: Furlough rate remains at at 80% but HMRC cover 60%, and employer covers the balance of 20%

In addition to these changes, employers will be able to bring employee back part-time from 1st July 2020. This would work by employees being paid as usual on their working days and the furlough rate for non-working days .e.g. employee is contracted to 5 day week but only brought back for 2 days per week: in the case the employer pays usual rate for the 2 days and the furlough rate for the 3 days.

Please note, the scheme will close to new entrants on 30th June 2020, therefore the last date that someone can commence Furlough is 10th June 2020.

SHOULD I TAKE ADVANTAGE OF THE CJRS?

All businesses should take advantage, where appropriate, of this scheme. it gives you the opportunity to see what happens over the coming months as opposed to making hasty decisions that may result in you losing some great people who would be able to help your business recover the lost ground going forward.

For those businesses who have already made some difficult decisions, and made staff redundant, or laid them off, this can be reversed to take advantage of this relief.

If you have staff who are not currently on furlough but who you may need to place on furlough, or make part-time, it is important that you place them on furlough before 10th June.

As with the SSP relief we will update you on what practical steps you need to consider in the short term to deal with this.

HOW DO I FURLOUGH AN EMPLOYEE?

Firstly, what does this mean? Furloughed employees are those whose employers cannot cover costs due to COVID-19 and as a result they have been asked to stop working but have not been made redundant. Under the scheme the employee is not allowed to carry out any employment duties while placed on furlough.

The first thing is that there is no automatic right to furlough your staff you need to review your contracts of employment. It is almost certain that you do not have a “furlough” clause in your current staff employment contracts.

You need to review the employment contracts to see if you have a clause which allows for lay-offs or short term working. If you have these clauses it should be possible to furlough the staff without their consent.

If the contracts do not have such clauses, technically you may need the employees’ consent to do this. However, such a negotiation should not be difficult considering the alternative is redundancy or no pay.

Please note that when deciding which members of staff to furlough you need to show that you have made this decision on an objective basis to ensure that you cannot be accused of any form of discrimination.

If you would like advice on this, please contact your usual contact at Sopher + Co who can put you in touch with our HR consulting team.

WHAT DO I DO NEXT?

No matter how negative you feel about the current situation, you need to prepare for when this is over and there are a number of options for you to obtain finance to support the working capital of your business going forward when we emerge from this crisis. It is important that you are prepared.

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SUPPORT FOR THE SELF-EMPLOYED (INCLUDING PARTNERSHIPS)

On 26th March 2020, the government published an outline of the support that it proposes to provide those who are self-employed individuals or a member of a partnership. This was then extended for a further 3 months on 29th May 2020.

This arrangement is called the Self-employment Income Support Scheme (SEISS).

The outline of the scheme is set out [here](#)

WHAT DOES THE SELF-EMPLOYMENT INCOME SUPPORT SCHEME (SEISS) AIM TO DO?

Initially it enables those who qualify to claim a taxable grant of up to 80% of their trading profits up to £2,500 per month for the next 3 months, if claimed before 13th July. This initial grant is capped at £7,500.

The extension to this scheme means that those who qualify can now claim a second, and final grant of up to 70% of trading profits for the next 3 months. This second grant has been capped at £6,570 in total. The online service to claim the second grant will open in August 2020.

DO I QUALIFY?

To be eligible for the SEISS grants you must be a self-employed individual or trading via a partnership and meet the following criteria:

STEP 1 – TRADING REQUIREMENT

- You must have submitted your 2018/19 self-assessment tax return to HMRC by 23 April 2020; and
- Have you traded in the tax year 2019/20; and
- Are carrying on a trade that has been adversely affected by coronavirus; and
- You intend to continue to trade in the current tax year 2020/21;

If the answer is yes to all the above, then you meet the trading requirement and you then need to see if you meet the income requirement.

STEP 2 – INCOME REQUIREMENT

One of two tests must be passed. Either:

Your taxable self-employment profits (or share of partnership profits) for the tax year 2018/19 was less than £50,000 and these profits constituted more than 50% of your total taxable income for the year (i.e. if your trading profits for 2018/19 are £25,000 then your other income for 2018/19 (e.g. bank interest, rental income profits, employment income and dividends) must be no more than £24,999);

Or, if you are not eligible based on your 2018/19 tax return:

Your average taxable trading profits for the 2016/17, 2017/18 and 2018/19 tax years were less than £50,000 and this average profit constituted more than 50% of your average total taxable income in the same period.

Where an individual has not been trading for the previous 3 tax years, HMRC will only use those years for which tax returns have been filed – e.g. if trading commenced during 2017/18 tax year then the trading profit is the average of the profits for the two years 2017/18 and 2018/19.

WHAT DO I GET IF I QUALIFY?

Those eligible for the scheme receive an initial **TAXABLE** grant of 80% of your average profits, calculated as outlined above, capped at £7,500. The deadline for claiming this initial grant is 13 July 2020.

Under the second, and final, grant the government will pay an additional TAXABLE grant based on 70% of average earnings, again calculated as per above, capped at £6,570.

WHAT DO I NEED TO DO?

To receive the initial SEISS grant you must make a claim before 13th July 2020. To claim you will need to visit <https://www.gov.uk/guidance/claim-a-grant-through-the-self-employment-income-support-scheme>. HMRC aim to process claims and pay the grants within 6 working days.

Details on how to claim the second grant are expected to be released later in June.

If you require assistance with the application process, please get in touch with your usual Sopher + Co contact.

PLEASE BEWARE OF SCAMS – THE SCHEME IS ONLY AVAILABLE THROUGH THE GOV.UK SITE

FUTURE FUND & INNOVATIVE BUSINESS LOAN SCHEME

The Future Fund package was launched by the government to support start-up businesses not eligible for other coronavirus (COVID-19) rescue measures.

The Future Fund offers government loans of between £125,000 and £5 million to UK-incorporated companies, provided private investors at least match the funding supplied by the state.

The package is aimed at innovative early stage companies not eligible for existing COVID-19 support, and overall the fund will match up to £250 million of private investment.

The business is eligible to apply for a loan if:

- It is incorporated in the UK. Only the parent company of a group is eligible;
- It has raised at least £250,000 in equity investment from third-party investors during the last 5 years;
- None of its shares are traded on a regulated market, multilateral trading facility or other listing venue;
- It was incorporated on or before 31 December 2019;
- At least half its employees are UK based, or at least half of its revenues are from UK sales.
- It can attract matching 50% investment from private investors.

The Future Fund is administered by the government-backed British Business Bank (BBB). The minimum interest rate on the loans is 8% on a non-compound basis, with interest payable when the loan matures. The loan will mature after a maximum of 3 years at which time the loan is either repaid or converted into discounted equity (making the government a direct shareholder in UK start-ups should the latter occur).

There is no requirement to value the company, and when companies and investors have completed an application through the BBB portal, they should receive funds in an estimated two weeks. The fund is currently due to run until at least the end of September 2020.

It should be noted that the matched investment from private investors will not qualify for EIS/SEIS treatment.

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More guidance on the Future Fund, including eligibility criteria, can be found [here](#).

SUPPORT GRANTS FOR CHARITIES

A £750 million package to help charities struggling during the coronavirus (COVID-19) pandemic has been announced by the government. The measures announced by the Chancellor include cash grants, which will be supplied to charities that provide key services during the crisis.

As part of the scheme, £360 million will be directly allocated by government departments to charities providing key services and supporting vulnerable people during the coronavirus crisis. Another £370 million will be directed to small local charities, including those delivering food and essential medicines and providing financial advice.

Charities can already use existing coronavirus schemes, such as the Coronavirus Job Retention Scheme, to support people and protect their employees. Some larger charities have furloughed two-thirds of their employees.

Further information can be found [here](#).

WHAT GOVERNMENT SUPPORT IS AVAILABLE - LOANS

Over the UK Lockdown period the Government have made a number of announcements to help business look after their employees and to protect their jobs in the short term. These are:

- Coronavirus Business Interruption Loans (CBILS)
- Small Business – bounce back loans

CORONAVIRUS BUSINESS INTERRUPTION LOAN SCHEME (CBILS)

The government introduced [here](#) a loan scheme which supports SMEs (those with turnovers less than £45m) access to loans, overdrafts, invoice finance and asset finance of up to £5m and for up to 6 years, interest free for the first 12 months.

Since its launch the government has made changes to the CBILS that enable a wider spectrum of businesses to have access to these loans. The key changes recently introduced are:

All viable businesses affected by Covid-19 can apply for the loan including those that have been unable to secure normal commercial financing.

Previously lenders were required to consider first if the business could be financed through a normal commercial loan, this requirement is not applicable going forward and lenders can proceed directly assessing the business for a CBILS loan.

For loans of up to £250K personal guarantees will not be required

For loans over £250K personal guarantees may still be required at the lender's discretion but the recovery of any outstanding balance of the loan facility after the proceeds of business assets have been applied, will be limited to 20%.

Lenders cannot require a business owner to use their Main Residence as security to support an application for a CBILS backed loan of up to £250K.

There are over 80 institutions that have registered with this scheme. These are listed [here](#).

WHAT IS THE PROCESS TO OBTAIN THESE LOANS?

Businesses will need to approach the Banks involved and make sure they have in place a well-structured funding request demonstrating their financial viability pre COVID-19, how they plan to manage the impact of COVID-19 on their business and longer term strategy for restoring financial health and the ability to repay the loan.

For larger loans we imagine that the usual due diligence will apply as with any loan in normal times. However, banks will focus on historic performance in a normal business climate, as they will not expect businesses to be in a position to provide accurate detailed forecasts given the current level of uncertainty.

SHOULD I APPLY FOR THESE LOANS?

Again, it is our view that you should not look at these loans as a quick fix which avoids you making tough decisions that should be taken now in connection with your business.

These loans will need to be repaid in due course, and you do not want to find yourself coming out of this crisis laden with a debt burden that the business cannot afford.

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Please contact your usual contact at Sopher + Co to discuss these issues and see what the correct level of loan is appropriate for your business and for help presenting your case in the best possible light.

WHAT OTHER OPTIONS ARE AVAILABLE IF I DO NOT WANT TO PURSUE CBILS?

EIS AND SEIS

Debt is not the only option and the Enterprise Investment Scheme (EIS) and its sister scheme, Seed EIS (SEIS), is still available, but this will only be available to a limited number of limited companies, depending on the age of the company, the nature of its trade, and how the business is structured.

In the case of EIS, most businesses whose assets are no greater than £15m and who have no more than 250 employees can raise money under this scheme.

Broadly the shareholders of the company can raise money for the business from individuals and the investor's exposure, assuming they can maximise their tax reliefs, is limited to 38.5% of the funds they invest.

Further details about SEIS and EIS can be found at our website [here](#), and as with anything contained in this FAQ, please do not hesitate to contact you Sopher + Co contact to get further information.

SMALL BUSINESS – BOUNCE BACK LOANS

The scheme helps small and medium-sized businesses to borrow between £2,000 and up to 25% of their turnover. The maximum loan available is £50,000. The loans are available to companies, self-employed persons and partnerships.

The government guarantees 100% of the loan and are no fees or interest to pay for the first 12 months. After 12 months the interest rate will be 2.5% a year.

Under the scheme, lenders are not permitted to take any form of personal guarantee or take recovery action over a borrower's personal assets (such as their main home or personal vehicle).

The loan term is 6 years but you can make early repayments without being penalised.

The BBLS went live on 4 May 2020 and initially will be open until 4 November 2020. It is operated through the British Business Bank and its accredited lenders.

AM I ELIGIBLE?

You can apply for a loan if your business:

- is based in the UK
- was established before 1 March 2020
- has been adversely impacted by the coronavirus
- not a bank, insurer and reinsurer, public-sector body, state funded primary or secondary school.
- If your business was classed as a business in difficulty on 31 December 2019 you'll need to confirm that you're complying with additional state aid restrictions.

Credit ratings (business or personal) do not impact your eligibility – so most eligible businesses should be able to get these loans. You do not need to prove the viability of your business and the application process is relatively straightforward.

The loans have to be spent on "business working capital or investment" but terms are designed so they are not restrictive, but the loan cannot be used for personal purposes. Finance could be used for bills, running costs, servicing existing business debt and also wages (including your own).

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INTERACTION WITH CORONAVIRUS BUSINESS INTERRUPTION LOAN SCHEME (“CBILS”)

You cannot apply for a BBL loan if you are already claiming under the CBILS scheme. If you have already received a loan under the CBILS scheme of up to £50,000 you can transfer it into the BBL. You have until 4 November 2020 to arrange this with your lender.

WHAT IS THE PROCESS TO OBTAIN A LOAN?

The British Business Bank has a full list of accredited partners offering loans here. In the first instance, the British Business Bank’s guidance recommend you should approach your own bank first where possible, but you may approach other lenders (for instance if your bank is unable to provide the finance you require).

You will need to fill in a short application form online, which self-certifies that your business is eligible for a loan under BBL. If your business is eligible, it will be subject to appropriate customer fraud, Anti-Money Laundering and Know Your Customer checks.

SHOULD I APPLY FOR A LOAN?

The 100% guarantee from the government and promise that loans will be paid quickly is good news for small and medium size business that require finance to support their businesses in the short-term during the pandemic. Our view is these loans as should not be used as a quick fix if it only defers, or delays you making tough decisions that should be taken now in connection with your business.

Given the relatively low rate of interest, you may consider a BBL loan to pay off existing business loan finance as you can take advantage of the 12-month payment holiday.

If you have previously borrowed up to £50,000 under the CBILS loan scheme you should consider switching it over to a BBL loan before 4 November 2020.