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**Self-employed: managing cash
and risk in uncertain times**

The Covid-19 pandemic has repercussions for every business. There are a range of support measures available to the self-employed, and this Briefing sets out guidance on some of the many questions you are likely to have. And although this is uncharted territory for everyone, there are still basic management strategies that will help minimise risk to you and your business.

Where to look for help

Knowing where to access reliable and up to date information is important. Guidance on rules such as whether businesses should be open or closed: the symptoms of coronavirus: limiting spread of the virus in the workplace: sick pay and certifying absence from work: as well as policy on cleaning and waste, and handling post or packages, can be found here bit.ly/3e1EZAa.

Guidance on government schemes providing financial support for businesses severely affected by Covid-19 has evolved rapidly. Whilst the pace of change has lessened, checking the following sources regularly will ensure you keep current with scheme details. Note, too, that some schemes vary across the UK.

In overview, a number of grants are available throughout the UK, as is assistance with business rates. The retail, hospitality and leisure sector attract particular support. The exact detail, however, depends on your location:

- for measures in Scotland, see bit.ly/3aRDBy6
- for measures in Wales, bit.ly/3c1HmBl
- for Northern Ireland, bit.ly/3eMn80n
- for England, see bit.ly/2y4Eghm
- for information across the UK generally, see gov.uk Covid-19: guidance for employees, employers and businesses bit.ly/2RETHUr and the new coronavirus financial support hub bit.ly/2y4Eghm
- online tool showing what support may be available in individual circumstances bit.ly/2VpwPu1.

Managing cash and risk

The government is offering unprecedented assistance to businesses at this time. Availing your business of these measures should certainly help managing cash flow and risk generally.



But there is also a need to balance any short term action against longer term consequences, particularly in terms of increased borrowing. The importance of accounts and management information to keep you in charge of the position cannot be overstated. Close monitoring of debtor and creditor figures, for example, is particularly important, given the reality that some customers may be unable to pay, and some suppliers unable to deliver goods ordered. Please do not hesitate to get in touch if we can help you take stock of both the immediate, and longer term outlook for your business.

Government schemes available

Key measures to help the self-employed are the Self-employment Income Support Scheme (SEISS): the recently-announced Bounce Back loan funding: the Coronavirus Business Interruption Loan Scheme (CBILS): and, for employers, the Coronavirus Job Retention Scheme (JRS). With cash flow a main concern at present, these government schemes should aid buoyancy.



Self-employment Income Support Scheme

The SEISS is available to self-employed individuals, including members of partnerships. Initially the scheme will run for three months, though the government may decide to extend it. Further information is here bit.ly/2UZ1rCN.

Am I eligible?

You are eligible if you:

- carry on a trade which has been adversely impacted by circumstances arising from Covid-19
- have filed all relevant income tax self assessment tax returns
- traded in the 2018/19 and 2019/20 tax years
- intend to carry on trading in the 2020/21 tax year
- have relevant average profits of no more than £50,000, and at least equal to any non-trading income, such as employment income, rental income or dividends.

What is the scheme worth – and when?

SEISS provides a grant worth 80% of profits, with the figure for profits arrived at by an averaging calculation. The maximum is £2,500 per month

and HMRC is making one lump sum payment for the three months from 1 March 2020. It aims to have done so by 25 May 2020, or within six working days of completing a claim. Payment will be received directly into your bank account.

What do I need to do?

HMRC will contact you by email, text or letter by mid May, asking you to claim, and will do so on the basis of its existing records. There is, however, now an online tool you can use immediately to see if HMRC thinks you match its criteria bit.ly/3di5YpR. If this check says you are eligible, you will also be given a date you can claim from, and asked to add your contact details. If the check says you are not eligible, you can ask to have this reviewed.

In the meanwhile

The government is pointing the self-employed to Universal Credit bit.ly/2XmUixn and the CBILS (below) as potential sources of assistance before the first SEISS payments arrive.

Tip: caution

Be alert to the possibility of fraudsters claiming to be from HMRC and perhaps offering a tax refund because of coronavirus. More information on staying scam-smart is here bit.ly/2UWcU60. SEISS will only be accessed through gov.uk: but check the page carefully, fraudsters can create very sophisticated fakes.

Loan schemes

Bounce Back loans

Following pressure from businesses and advisers, the government has announced a new micro-loan scheme. Bounce Back funding provides 100% government-backed loans from a network of commercial lenders, targeting UK-based small businesses negatively impacted by Covid-19 and not classified as ‘undertakings in difficulty’ on 31 December 2019.

The scheme allows borrowers to access loans for 25% of turnover, from a minimum of £2,000 to £50,000, with no interest or fees for the first 12 months, and a repayment holiday for the

same period. Application will be online, with minimal red tape. The scheme launched on 4 May bit.ly/3bVZxZw. Critically, payment should be received within days of application.

Bounce Back loans will be for a maximum of six years, and the government is looking to agree a low rate of interest with lenders. The scheme is an alternative to CBILS: the two cannot be used together. However, a business that has already received funding under CBILS can arrange with the lender to turn the loan into a Bounce Back facility. The funding must be under £50,000 to qualify.

Coronavirus Business Interruption Loan Scheme

The CBILS also connects businesses with sources of finance. Following initial criticism, it has been amended so that 'all viable small businesses affected by Covid-19, and not just those unable to secure regular commercial financing, will now be eligible should they need finance to keep operating during this difficult time'. More information is here bit.ly/2xfYxAl.

Am I eligible?

You can apply if:

- you are a small or medium-sized business, operating through a business account. Note, any type of business structure is eligible: sole trader, partnership etc
- your business activity is based in the UK
- your annual turnover is £45 million or less
- more than 50% of your turnover comes from trading activity
- you self certify that your business has been adversely impacted by Covid-19.

What is the scheme worth – and when?

CBILS gives access to loans, overdrafts, invoice finance and asset finance of up to £5 million for up to six years. The government is making a Business Interruption Payment covering the first 12 months of interest payment and any lender-levied fees. This means there are no upfront costs and lower

initial repayments. The scheme is expected to run for six months initially.

Note that loans below £250,000 do not require a personal guarantee. For borrowing above this level, personal guarantees will be capped at 20% of the outstanding value of the loan, and your principal private residence is excluded.

Coronavirus Job Retention Scheme

JRS covers 80% of the normal wage bill, allowing employers whose 'operations have been severely affected by coronavirus' to furlough employees, thus keeping them on the payroll. It also covers employer National Insurance Contributions and minimum automatic enrolment employer pension contributions bit.ly/3aV5Vzz. The scheme opened for claims on 20 April 2020, runs for four months from 1 March 2020, and stands to be extended if needed.

Many employers have now used the JRS but there are still points to consider going forward. You may want to bear in mind that furlough can be used more than once. Ending a furlough arrangement, taking staff back to work, and then refurloughing them, may help you cover essential work tasks, or gear up for resumption of your business operations. Note however, that any period of furlough must run for a minimum of three consecutive weeks, and that there are restrictions on what employees can do while on furlough. HMRC guidance states that the scheme cannot be used to pay wage costs for someone working reduced hours, and that the full amount claimed must be paid across to employees.



A photograph of a white rectangular sign mounted on a stone wall. The sign has the text 'HM REVENUE & CUSTOMS' in black, uppercase, sans-serif font. The sign is slightly angled and has a shadow cast to its right.

HM REVENUE & CUSTOMS

What to do about tax

The government recommends arranging Time To Pay (TTP) for your tax, allowing you to spread payment of tax bills out by making monthly instalment payments. Deferring payment of some taxes is another option. This will help with immediate cash flow.

Time To Pay from HMRC

TTP is available for businesses or individuals in temporary financial distress because of Covid-19. TTP can be used for any tax, such as income tax, employers' PAYE, or VAT. You should contact HMRC's Covid-19 helpline on 0800 024 1222, explaining that TTP is needed because of the crisis.

TTP is always arranged to fit individual circumstances. Repayment is usually monthly by direct debit. Before you make contact, consider what you can realistically afford to repay. For information on what to have to hand when phoning, see bit.ly/2RjpHx5.

VAT deferral

Payments of VAT due during the three months to the end of June can be deferred. If you are a UK VAT registered business, with a VAT payment due between 20 March and 30 June 2020, you can either defer payment until later, or pay as usual. VAT MOSS payments do not come within the scheme. There is no need to contact HMRC to do this: but if you usually pay by direct debit, this should be

cancelled promptly – and reinstated at the end of the deferral period.

If you defer, no interest or penalties apply. You will carry on filing VAT returns as usual, and HMRC will carry on processing VAT reclaims and refunds. The VAT due must be paid on or before 31 March 2021.

Income tax self assessment bills

The second income tax self assessment payment on account for 2019/20, due for payment by 31 July 2020 can be deferred until 31 January 2021. As with VAT, no action is needed to defer, and no interest or penalties will be charged.

Tip: restart a Child Benefit claim

If you have made an election to stop Child Benefit payments because of High Income Child Benefit Charge (HICBC), you may want to think about withdrawing the election. You may still need to repay the money in the longer run, if your income is over £50,000. In the short term, receiving payment could help with cash flow. More information is here bit.ly/3aWYcRM.

How we can help

We appreciate the stress our clients are under at this unprecedented time. Please be assured that we are on hand to support you and advise in this period of uncertainty. Do not hesitate to get in touch if we can be of service in the coming days.