

A message from the Mercer & Hole team

Over the past couple of weeks, just like you, we have been dealing with a high quantity of new information relating to the COVID-19 pandemic. We are doing our best to navigate this for you, interpreting the latest temporary measures and guidance as promptly as possible, to be in the best position to support you and your business.

We hope you find the articles in this newsletter helpful. Mercer & Hole also has a COVID:19 Business Support Hub, please [click here](#), which has the latest, relevant information available.

Thank you for your continued trust in [Mercer & Hole](#).

Deferral of Self-Assessment tax payment extended to all taxpayers

HMRC have announced that the deferral of payments of tax due on 31 July 2020 originally available for the self employed has now been extended to ALL taxpayers due to make these payments under the self assessment tax system. This is only a deferral and tax payments will still be due for payment but not until 31 January 2021.

The official guidance states that deferment is optional and any persons still able to pay their second self-

assessment payment on account on 31 July 2020 should still do so.

if you wish to discuss this further please do not hesitate to contact your usual Mercer & Hole contact or a [member of the team](#).

In this issue

- 01** Deferral of Self-Assessment tax payment extended to all taxpayers
- 02** Latest update: Coronavirus Job Retention Scheme
- 02** Deferral for VAT payments
- 03** Coronavirus Business Interruption Loan Scheme (CBILS) – a practical guide
- 04** Business rate relief, commercial rent and grants explained
- 05** Dealing with distress: Top 10 tips for dealing with COVID-19 and financial distress
- 06** Update for company account filing
- 06** An important reminder of the value of R&D tax relief
- 07** Support for the Self-employed

Latest update: Coronavirus Job Retention Scheme

There is revised guidance for employers in relation to the Coronavirus Job Retention Scheme which now provides the answers to many unanswered questions.

To recap, this is a temporary scheme open to all UK employers for at least three months starting from 1 March 2020. It is designed to support employers whose operations have been severely affected by coronavirus (COVID-19) and is intended to be up and running by the end of April.

HMRC are working on a portal that employers can use to claim for 80% of furloughed employees' (employees on a leave of absence) usual monthly wage costs. This is capped at £2,500 a month, plus the associated Employer National Insurance contributions and minimum automatic enrolment employer pension contributions (assuming employees have not opted out) on that wage.

The scheme is open only to all UK employers that had registered and started a PAYE payroll scheme on 28 February 2020 who have a UK bank account.

We attach the link to this updated information [Revised guidance for employers claiming under the job retention scheme](#).

In addition HMRC have revised the slightly lighter guidance available to employees who are being furloughed as a result of the COVID-19 impact [Revised guidance for employees](#).

Our primary focus is supporting you and your business through this uncertain time. Please contact the [Mercer & Hole team](#) to discuss.

Deferral for VAT payments

HMRC have confirmed a deferral for all VAT payments due between 20 March 2020 and 30 June 2020 by all businesses with a UK VAT registration.

HMRC have confirmed a deferral for all VAT payments due between 20 March 2020 and 30 June 2020 by all businesses with a UK VAT registration. Businesses will have until 31 March 2021 to get VAT payments up to date. No penalties or interest will be incurred for such deferrals. VAT returns should continue to be filed. The deferral is automatic and no application is necessary.

If businesses pay by direct debit they must cancel these with the bank in sufficient time before a payment is

due, typically this can take five days. This is to prevent HMRC automatically collecting a payment following the submission of a VAT return, so for businesses on the February VAT return stagger, payments will be due on 7 April 2020.

If businesses wish to pay their VAT liability, this can be done in the usual way.

For further information please contact [Jane Stacey](#).

Coronavirus Business Interruption Loan Scheme (CBILS) – a practical guide

As demand grows for the Coronavirus Business Interruption Loan Scheme (CBILS), we are here to support you and your business through the decision making process. As the details of the scheme continue to emerge and the banks receive applications, the process for approval gains clarity.

At Mercer & Hole, our team are regularly speaking to many of our long standing banking contacts and the approach to the CBILS application process will vary depending on the bank. All banks, there are 40 plus approved lenders on the [British Business Bank](#) website may take slightly different approaches to getting the loans into the market place. However, it already seems, the easier a business makes it for the bank to approve their application, the quicker an application will be dealt with and more likely it is to be approved.

Please see below practical key information for you;

- Confirmation of your eligibility for the scheme, there is a quick eligibility checker attached, make sure you are eligible and the bank can quickly see the same
- Presentation of historic financial information demonstrating previous viability
- 2020/21 forecast (pre-coronavirus) demonstrating previous forecast profitability
- Sensitivity analysis on previous forecasts to show expected impact of Coronavirus on future trading

- Cashflow forecasts showing the cash requirement to continue to trade during the effected period
- High level post disruption forecasts, including repayment of CBILS loans, to show expected ability to repay the loans
- Confirmation of assets available for security (or lack thereof).

We would also like you to be aware that each lender has taken a different approach to personal guarantees but according to The British Business Bank, lenders cannot take security under a personal guarantee against a borrower's primary residence.

As set out above we are well-placed to assist you in the submission of applications to your lender under CBILS. Mercer & Hole's knowledge and insight will aim to make the process easier for you. We are here to support you, if you wish to discuss this further please do not hesitate to contact your usual Mercer & Hole contact or a [member of the team](#).

A package of measures to support UK business: Business rate relief, commercial rent and grants explained

Business rates holiday for retail, hospitality, leisure and nursery businesses

The government is introducing a business rates holiday for businesses in the retail, leisure and hospitality sectors to help them through disruption caused by Covid-19. These businesses won't have any business rates to pay in 2020/21.

Registered Nurseries that are eligible in England will also get a year off paying business rates for tax year 2020/21.

Businesses that received the retail discount in the 2019/20 tax year will be rebilled by their local authority as soon as possible. Properties that will benefit from

the relief will be occupied hereditaments (any kind of property or right relating to property that can be inherited) that are wholly or mainly being used;

- as shops, restaurants, cafes, drinking establishments, cinemas and live music venues
- for assembly and leisure as hotels, guest & boarding premises and self-catering accommodation.

Please note no action is required to access the relief and this will apply to the next council tax bill in April 2020.

Commercial Tenants

Regarding commercial tenants, it has also been announced that those who cannot pay their rent because of coronavirus will be protected from eviction. These measures, included in the emergency Coronavirus Bill currently going through Parliament, will mean no business will be forced out of their premises if they miss a payment in the next three months.

To comply with this scheme business properties must be "wholly and mainly used" for one of the qualifying purposes set out above. This raises many questions and potential complications for example, with serviced offices where different businesses may occupy the same premises but operate different trades and circumstances where the rates demand may be in the name of the landlord for convenience purposes.

Whilst the general government guidance states that premises that are occupied but not wholly or mainly

used for a qualifying purpose will not qualify for the relief there could be situations where the occupier of the property can still claim the relief if they can demonstrate they are the rateable occupier. The Local Authority has a degree of discretion to award the relief where it can be shown that the information they hold is not accurate or up to date.

In the case of the rates bill being in the name of the landlord, the landlord may wish to pass on any relief to the occupier, however this may depend upon the agreement between landlord and tenant, and the information held by the Local Authority.

Businesses in any of these circumstances may wish to contact their Local Authority for further guidance. The government has pledged to review the business rates system as a whole and will publish its findings in the autumn.

Grants

The government has also announced

- £10,000 grant funding for all business in receipt of small business rate relief or rural rate relief
- £25,000 grant funding for retail, hospitality and leisure businesses with property with a rateable value between £15,000 and £51,000.

Any enquiries on eligibility for, or provision of, the reliefs and grants should be directed to the relevant local authority. Guidance on the scheme will be provided to local authorities shortly.

Please contact the [Mercer & Hole team](#) to discuss. We are focussed on supporting you and your business through this uncertain time.

Dealing with distress: Top 10 tips for dealing with COVID-19 and financial distress

- 1. Keep calm** – In the words of Douglas Adams DON'T PANIC, these are uncertain times but at some point life will return to normal and people will need the service/product you provide.
- 2. People** – Follow Public Health England recommended precautions to help prevent the spread of disease. For your organisation understand which people perform which critical task and what happens if they are out of the business for a period; share skills, information and training to increase resilience to absences.
- 3. Cash is King** – have you got cash flow forecasts, have these been subject to sceptical revisions in light of Coronavirus? When will the cash run out?
- 4. Manage costs** – what is necessary spending and what is unnecessary spending? Are there current commitments which can be put on hold or adjusted to current requirements?
- 5. Flexibility** – how can your business change to combat threats identified; flexible working, reducing capacity, different product mix etc?
- 6. Document decisions** – why is a payment business critical, why are your actions in the interests of creditors, why are you continuing to trade? Decision making during times of stress can be difficult to analyse retrospectively, so make sure your actions are justifiable based on the information you have at the time.
- 7. Identify key suppliers** – what happens if that supplier goes bust? Identify an alternative supplier(s), are you in a position to make a strategic acquisition?
- 8. Identify key customers** – are they financially vulnerable to the current crisis, what happens if they go bust? How are you managing debt collection, to what extent can you support customers with time to pay to protect your future route to market? Where either suppliers or customers go into an insolvency process seek advice as to your rights, continuation of supply, and potential outcomes from the process, so that you can understand the impact on your business.
- 9. Get advice** – trading in the twilight zone is notoriously tricky but the current climate makes it even more so. Personal liability can occur because of breaches of the Insolvency or Companies Acts, including:
 - Trading while insolvent (Wrongful or fraudulent trading)
 - Transactions at an Undervalue
 - Preference transactions
- 10. [Our Corporate Restructuring and Insolvency team](#)** are specialists in advising on financial crisis. We are happy to have initial conversations with clients about their specific circumstances without initial cost or commitment.

If you require advice on any of the aspects raised in this article, please contact one of our [Corporate Advisory partners](#).

Update for company account filing

There has been further information on the relaxation on filing deadlines for company accounts which the Mercer & Hole team gave details of previously.

Businesses will be able to apply for an additional three months to file accounts. The move is designed to help companies avoid penalties as they deal with the impact of COVID-19. As part of the agreed measures, those citing issues around COVID-19 will be automatically and immediately granted an extension. Applications can be made through a fast-tracked online system which should take just 15 minutes to complete. For more information visit [Companies House information pages](#).

Companies though need to consider carefully applying for the delay as they may still need recent accounts to be able to support applications for government support in this difficult time.

An important reminder of the value of R&D tax relief

Small and medium sized companies may be able to claim Research & Development Tax Relief which allows companies to:

- deduct an extra 130% of their qualifying costs from their yearly profit, as well as the normal 100% deduction, to make a total 230% deduction
- claim a tax credit if the company is loss making, worth up to 14.5% of the surrenderable loss. The [surrenderable loss](#) is the lower of the tax loss for the year and the enhanced qualifying expenditure.

The tax credit would usually be paid to the company as cash by HMRC so can be a definite help with respect to cash flow. Thus if a company has qualifying expenditure

of £100,000 the enhanced expenditure is £230,000 and the company could claim up to £33,350 from HMRC.

The company must carry out qualifying Research and Development activities and the qualifying expenditure relating to those activities include wages and salaries, subcontractor costs, and consumable items. At the point that the company makes the claim it must be able to demonstrate that it is a going concern, this is a point for careful consideration during these difficult times.

We are here to support you and your business, for more information please [talk to us](#).

Support for the self-employed

The measures to support the self-employed through the coronavirus crisis aim to bring parity with the [Coronavirus Job Retention Scheme](#) as outlined last week. The latest step will cover 95% of people who can be identified through the government systems as receiving the majority of their income from self-employment.

The key features of the support

- Self-employed taxpayers who have lost trading profits due to COVID-19 cannot apply for help under this scheme – HMRC will contact those eligible directly to complete a simple online form and then make a cash grant payment into their bank accounts: it is anticipated that the form will ask for evidence of lost profits so it will be worthwhile retaining notes of closure dates or emails cancelling work, etc.
- The scheme will be open to those with a trading profit of less than £50,000 in 2018/19 or an average trading profit of less than £50,000 from 2016/17, 2017/18 and 2018/19
- More than 50% of the individuals' income in the specified periods must be from self-employment. They must still be self-employed in 2019/20, currently trading or would do so except for COVID-19 and are likely to continue to be so in 2020/21
- The sum will be calculated as 80% of their trading profits, up to a maximum of £2,500 per month
- Information and calculations will be by reference to submitted Tax Returns but where the entire period is not available to review, HMRC will use whatever detail they have e.g. one Tax Return only
- The payments will be for at least 3 months backdated to 1 March and will be paid in June. Cash flow maybe an issue but it is hoped that the deferral of VAT and payments on account in July will assist with this. Business support through the bank and also negotiations with suppliers and debtors will be key. See the links below
- Those who have recently started to trade and have not reported profits to HMRC will not qualify – to minimise fraud, only those who are already in self-employment and meet the criteria will be eligible. These people will need to look at the other options for business support and information.
- Partners earning less than £50,000 in partnerships will also qualify

- There is a four week period within which those who missed the 31 January Tax Return filing deadline can get their Tax Returns filed with HMRC
- The grants will be taxable, and will need to be declared on tax returns by January 2022
- Unlike the employee scheme, the self-employed can continue to work as they receive support.

There will be more detail issued by HMRC in due course and the Mercer & Hole team will be able to speak with our clients and clearly explain the further measures.

What other help is available?

It was also announced that the self-employed would have access to Universal Credit, including emergency payments available within days of application as well as access to Business Continuity Loans. The [VAT deferral and six month delay](#) for paying the 31 July 2020 tax instalment will also ease cash flow alongside the three month mortgage holidays available.

Other points to mention

In the 5pm briefing the Chancellor clarified that those who pay themselves a salary and dividends through their own company are not covered by the scheme but will be covered for their salary by the coronavirus job retention scheme if they are operating PAYE schemes.

He also made the following statement:

"I must be honest and point out that in devising this scheme – in response to many calls for support – it is now much harder to justify the inconsistent contributions between people of different employment statuses. If we all want to benefit equally from state support, we must all pay in equally in future."

This would indicate that we can expect further changes to the rules relating to tax and national insurance rules applying to the self-employed in the future.

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