Covid-19 Update No 11

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Introduction

These unprecedented & uncertain times continue to challenge individuals and organisations. The information available is changing and developing virtually daily, but the measures taken by HMG are becoming clearer and now coming on-line, with the Job Retention Scheme portal opening today, but with varying degrees of success as we'll see below.

So, lockdown began in the UK on 23rd March, following the first reports of an outbreak in China on New Year's Eve, since when there have been a reported 2m infections & a 150,000 deaths worldwide.

There are increasing reports of businesses and indeed charities cutting wages to help ensure survival, especially where obtaining funding is looking sticky – see below. Wage cuts are of course subject to employment law. Details of those wage cuts that we have seen indicate that most are incremental, so the burden falls more heavily on those earning the most.

A temporary pay cut may be unpalatable, indeed may cause the individual employee significant financial problems, but there may be a stark choice with making sure there is a job at the end of this.

There are sound commercial grounds for this; as revenues fall, even though staff may have been furloughed, often there is limited scope to cut overheads. Landlords are being increasingly asked for holidays not deferrals, but many are sitting on their hands.

So, businesses are still seeing marked falls in profits, many may end up in a loss, which for many if not most will prove impossible to recoup, and then there is the uncertainty over the exit timing from lockdown, and the short- and long-term economic impact. Many charities were keeping their heads above water, will this prove too much for many?

The focus in the news is switching ever more firmly to pushing for detail of the exit strategies from lockdowns, whilst inevitably warnings are starting of successive waves of infections once lockdown finishes, presumably until such time as herd immunity builds up, and vaccines become widely available. End dates are being floated, whether realistic or optimistic remains to be seen. As anticipated in an earlier update, Michael Gove floated the possibility that pubs will remain closed till the end of the year.

Focus is equally switching to the aftermath of Covid-19, and how business reacts to the graphic demonstration of the weaknesses of globalisation.

There are reports that the larger firms of accountants will be delaying audit reports until the early summer in the hope or expectation that the full impact on the businesses of their clients becomes clearer, whether from loss of income, or disruption to supply chains.

Investment managers and economists are giving thought to what businesses, and what type of businesses, will best survive or indeed prosper, and what the implications are for supply chains. What's the future for the '*just in time*' business model, very successful, but has now been proven to be vulnerable?

The anticipated economic impact of this crisis has been veering between being viewed as short term, and a blow set to last years.

The International Monetary Fund (IMF) warned that the Covid-19 is forecast to lose a staggering $9trn (£7trn) of output this year and next, worse than the financial crisis with a fall in global GDP of c3% in 2020, the biggest drop since the Great Depression of the 1930s. It forecasts that the UK economy will shrink by 6.5% this year, its biggest fall since 1921.

The UK Office for Budget Responsibility (OBR) warned that the economy could contract by a record 35% by June. If so, the OBR suggested that the UK economy would get back to its pre-crisis growth trend by the end of 2020, with Treasury support helping to cushion the impact but with unemployment rising from 3.9% to 10%.

None of this should come as any great surprise once lockdown took place and it became clear that this wasn't going to be a short-term disruption. Yet there are glimmerings of light, if lockdown is relaxed by the end of May as some suggest may be feasible. The stock markets have seen some recovery, although it's not clear that this has marked the low point, or that the low point won't be tested again. Traditional safe havens like property investments have proved as vulnerable as any, weakened already by the problems of high-street retail competing against internet giants, now further undermined by the increasing demands for rental holidays by businesses.

We've discussed these various aspects in earlier updates, and the need to change and adapt, and what might be done to build resilience. Change is never comfortable as it represents challenge and tough, often unpleasant decisions, yet those challenges need to be accepted and embraced if that resilience is to be achieved.

There is of course the here and now to be overcome, challenges to liquidity, minimising losses, and we'll talk about the options there and how we can help in the next sections.

This update is based on our current understanding of official guidance and how the rules will be applied, which may change as more details are made available. There are topics which are not within our sphere of expertise, included to be as helpful as possible, but on which appropriate specialist professional advice must be taken.

As before, we can't accept any responsibility whatsoever for any decisions made, or not made, as a consequence of these notes.

Latest Initiatives

The Chancellor announced a £1.25bn plan for start-ups hit by the Covid-19 crisis.

According to reports, this will be a £500m co-investment fund for high-growth companies with their venture capital backers, matching private sector money with state-backed loans. Smaller research and development businesses can apply for a new pot of £750m in grants and loans. The Government is initially making up to £250m available in total for the scheme, which will be open until the end of September 2020.

The government's new Future Fund will provide loans to UK-based companies ranging from £125,000 to £5 million, subject to at least equal match funding from private investors, delivered again in partnership with the British Business Bank, HMG's key vehicle for delivering so many of these initiatives.

To be eligible for a loan from the government under this scheme, a business must be an unlisted UK registered company that has raised at least £250,000 in aggregate from private third-party investors in previous funding rounds in the last five years.

A further £750m is to be made available through grants and loans from Innovate UK, mainly available to its existing customers.

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Coronavirus Job Retention Scheme (CJRS)

The online claim service launches today Monday 20th April on GOV.UK .

We'll be emailing our payroll clients regarding processing the claims on their behalf shortly.

For those for whom we don't act, there's now **updated guidance** on how to calculate your claim and a **step-by-step guide**. There will also be a calculator available when the system goes live for you to check your calculations online before you make your claim. You'll need to have all your information and calculations ready before you begin your application.

The only way to make a claim is online at www.gov.uk .

- You can now claim for employees that were employed as of 19 March 2020 extended from 28 February and who were on your PAYE payroll on or before that date; this means that you will have made an RTI submission notifying HMRC of payment of that employee on or before 19 March 2020.
- Employees that were employed as of 28 February 2020 and on payroll (i.e. notified to HMRC on an RTI submission on or before 28 February) and were made redundant or stopped working for you after that, and prior to 19 March 2020, can also qualify for the scheme if you re-employ them and put them on furlough.
- Opportunities are there for those made redundant before the scheme became known to be re-employed and furloughed but employment law advice needs to be taken first.

The information is as follows:

Employer Information

- A Government Gateway ID and Password
- Be enrolled for PAYE online
- The bank account number and sort code you'd like use when your claim is paid
- The name and phone number of the person in your business who will deal with any questions.
- Your Self-Assessment UTR (Unique Tax Reference), Company UTR or CRN (Company Registration Number)

Employee Information

- Name
- National Insurance number.
- Claim period and claim amount.
- PAYE/employee number (optional).
- if you have fewer than 100 furloughed staff – you will need to input information directly into the system for each employee
- If you have 100 or more furloughed staff – you will need to upload a file with information for each employee; the following file types will be accepted: .xls .xlsx .csv .ods.

Claims should be paid within 6 working days although HMRC Chief Executive Jim Harra told the Treasury select committee last week with the first payments being made 10 days after 20 April, but future claims would be paid within four to six days - the online CJRS service is now undergoing beta testing.

Following the initial backdated claims, claims can be made no more than 14 days before payrolls are run but will be accepted for the different pay periods.

HMRC has scaled their system to cope with 2m PAYE schemes and claims in first 10 days, with a design capacity of 450,000 users per hour.

2,000 HMRC staff will be redeployed for CJRS support, with another 3,500 staff from other areas who could be called on if needed. HMRC is also working with professional bodies such as the CIOT and ICAEW to provide support and help to their clients.

Jim Harra also confirmed that HMRC would be setting up an online "whistle-blower" service for workers to report employers who abuse the system. There have been plenty of reports of unscrupulous employers planning to cheat.

Apprentices:

New guidance has been issued setting out support to help apprentices continue and complete their apprenticeships and which also confirms that furloughed apprentices can continue with their apprenticeship training. A video has been developed to help employers who need to pause an apprenticeship and which shows you how to record a break in learning in the apprenticeship service.

There are further resources detailing how the apprenticeship service will help you through COVID-19. Any queries should be directed to the Apprenticeship Help Desk.

CJRS & Sick Pay

The CJRS is not intended for short-term absences due to sickness or self-isolation, but if there are business reasons an employee may be moved from sick pay to furlough pay. Employees who are being shielded or who are on long-term sick leave can be furloughed with the grant being claimed.

Employees who become sick while on furlough can be kept on furlough pay, but must be paid at least statutory sick pay. Employers can claim from both the CJRS and the statutory sick pay rebate scheme for the same employee, but not for the same period of time.

Claims for those returning from statutory leave, such as maternity or paternity leave after 28 February 2020 should be based on their salary, rather than the pay they received while on statutory leave.

New employers are eligible to claim under the CJRS in respect of employees of a previous business transferred after 28 February 2020, if the TUPE or PAYE business succession rules apply to the change in ownership.

If a group of companies transfers employees from multiple payroll schemes into a new consolidated scheme after 28 February 2020 the new scheme will qualify for the CJRS

R&D relief claims and repayments

HMRC have confirmed that their priority is to maintain their published aim of clearing 95% of SME R&D tax credit claims within 28 days, and indicated that they are currently meeting this aim.

HMRC have said that, whilst the deadlines for making claims under the SME and Research and Development Expenditure Credit (RDEC) schemes are set by legislation, they will be sympathetic to those facing problems in meeting these. If a business is unable to meet the time limit, they should submit their claim as soon as possible and HMRC may be able to accept a late claim. HMRC will decide whether each such claim will be accepted in line with Statement of Practice 5/01.

HMRC have indicated that, where a claimant has other tax liabilities owing, in the case of RDEC they have no discretion under the current legislation, and will therefore continue to operate on the basis of the existing set off provisions.

HMRC are still considering the position for claims in respect of the payable SME credit.

Under the SME scheme, a claim for either an enhanced deduction or repayable credit can only be made if the claimant was a going concern based on their latest published accounts.

HMRC have confirmed that this going concern condition is a statutory requirement, and therefore cannot be overlooked. However, they note that the requirement involves looking at the latest published accounts which will, in many cases, have been prepared before the effects of the COVID-19 crisis began to be felt.

HMRC will continue to monitor the impact of COVID-19 on companies' ability to meet this and other requirements.

If you want to discuss making an R&D claim, please do get in touch with us.

Coronavirus and State Aid

Many businesses and their advisers may never have had to worry about state aid before but the coronavirus-related government support packages and changes to how the employment allowance claimed are likely to change that.

The EU state aid rules are rather complex but, in essence, they are designed to prevent member states introducing measures which may otherwise distort competition within the single market. Broadly, a measure will constitute state aid if it is an advantage granted by a member state on a selective basis that could distort competition and trade in the EU. That includes grants, loans or tax breaks only available to businesses of a certain size, or to certain sectors or industries.

Where a member state believes that a form of state aid would deliver growth or other important objectives, it can request approval from the EU. This is often referred to as *notified* state aid.

Alternatively, a scheme which will only give small amounts of aid can be designated as *de minimis* state aid. Whilst this removes the need for EU approval, there is a ceiling on how much de minimis aid you can receive. For most businesses, this will be €200,000 over a three-year rolling period – although much lower levels apply for the agriculture, aquaculture and fisheries, and road haulage sectors.

Receiving state aid can affect the ability to claim certain tax reliefs such as employment allowance (EA) and R&D tax relief.

From 6 April 2020, the EA is only available to employers with a secondary NICs liability below £100,000 in the previous tax year. This makes it state aid, which the government has chosen to classify as de minimis state aid.

For future years, employers will have to claim the EA each year through their Employer Payment Summary (EPS) as the claims will no longer automatically carry forward as they have in the past. When making a claim for EA, employers will be asked to confirm that they have sufficient headroom in their de minimis ceiling(s) to accommodate the full EA of £4,000. Being in receipt of significant de minimis state aid could prevent the EA from being claimed.

The receipt of state aid can also restrict the ability to claim R&D tax relief under the SME regime. Very broadly, an R&D project will be completely excluded if notified state aid is received in respect of it, and any expenditure covered by de minimis state aid is not eligible for relief.

Any business receiving assistance that was state aid should have been informed of this at the time and told whether it is notified, or de minimis. However, businesses may not always have the original paperwork to hand, especially when it comes to looking back three years for the purposes of the de minimis ceiling. Unfortunately, there is no list or register of state aid which can be consulted, so it may be a case of applying best judgement or seeking to confirm with the awarding body if in doubt.

Finally, although state aid is an EU measure, we do still need to worry about it during the Brexit transitional period – which is currently due to expire on 31 December 2020.

The government has announced a number of coronavirus related grants, loans and tax breaks, some of which will be state aid. The complete picture is still emerging, but at the time of writing we know:

- the Small Business Grant Fund (SBGF) is de minimis state aid;
- the Coronavirus Business Interruption Loan Scheme (CBILS) and Retail, Hospitality and Leisure Grant Fund (RHLGF) are notified state aid under the European Commission's new temporary framework.

Claiming the SBGF could therefore potentially affect EA eligibility. However, HMRC has indicated that, where the de minimis ceiling has or would be reached by accepting the SBGF, the grant can be treated as notified state aid under the EU's coronavirus temporary framework, instead – provided that the applicable conditions are met. More information can be found in the official grant funding guidance.

With regard to CBILS, HMRC has confirmed that relief cannot be claimed under the SME R&D scheme (which is itself a form of State Aid) if the CBILS relates specifically to the company's R&D expenditure on a project, rather than being intended more generally to support the company. The position is presumably the same for the RHLGF. Whether this is the case will depend on the particular facts of each claimant.

Businesses in receipt of these, or any other assistance, will need to check the accompanying paperwork carefully to determine whether the assistance they have received is state aid or not, and decide how this might affect their ability to claim any relevant tax reliefs.

HMRC have said that they will be monitoring the application of this rule and welcome feedback.

Pension Contribution Holidays

Several of our clients and their employees have been asking about pension contribution holidays, which is understandable if wages have been cut to help get through this period.

Employers still need to pay pension contributions for their furloughed employees. The Coronavirus Job Retention Scheme allows them to reclaim the minimum level of employer pension contributions, equivalent to 3% of qualifying earnings (that's earnings above £520 a month).

If their furloughed worker, or indeed any employee, asks to 'opt-out' of the workplace pension, the expression 'opt-out' applies to an employee who chooses to leave their workplace pension scheme within one calendar month of being enrolled. Opting-out will result in the employee receiving a refund of contributions deducted.

Employees have the option to leave their current scheme at any time. This also means that their employer is no longer obliged to make pension contributions for them. It is important that any decision to opt out of, or leave, should be taken freely and without being influenced by the employer.

Any employee taking this action may automatically be re-enrolled back into the scheme at their employer's next three yearly re-enrolment date - unless they have already opted back in when normal life resumes.

Certain pension providers will treat leaving the pension scheme as having left employment. In this situation the employee is likely to receive an email or letter from the pension provider stating that they have left employment, even if they haven't. Not all providers do this so it's worthwhile checking. Aviva and Aegon, for example, have a 'pension contribution holiday' option on their administration portal.

Main points to bear in mind:

- If an employee chooses to stop making contributions, they will lose their right to contributions from their employer.
- If they choose to stop making contributions, they may have a lower income when they retire.
- An employer cannot ask or force an employee to stop making contributions.
- With the agreement of the employer, they can opt-in to the pension scheme again at any time.
- If they do not opt-in again, they may be automatically re-enrolled in about three years.

Employers *cannot* choose to take a pension contribution holiday. It must be *at the request of the employee.*

The Pensions Regulator can take action against employers who encourage employees to opt-out or leave their workplace pension scheme.

Again this is a matter ultimately for specialist advice, again please get in touch if we can signpost you to an adviser.

Support for Exporters & Importers

The Department for International Trade has outlined support and UK businesses are now eligible to secure export insurance cover to major international markets.

https://www.gov.uk/government/news/coronavirus-dit-offers-support-to-exporters-and-investors

Guidance has been given directly on how to help secure export finance to keep trading and the DIT will provide assistance with customs authorities to ensure smooth clearance of businesses' products, and to offer advice on intellectual property and other issues with business continuity.

If your business is facing disruption due to late payments, UK Export Finance (UKEF) can help ease cash flow constraints by guaranteeing bank loans through its Export Working Capital Scheme.

UK Export Finance (UKEF) is the export credit agency and a ministerial department of the UK government. The UKEF helps UK companies by providing insurance to exporters and guarantees to banks to share the risks of providing export finance. In addition, it can make loans to overseas buyers of goods and services from the UK that can protect UK exporters facing delayed payments or transit restrictions.

The following may be available from UKEF:

- If suffering from late payments, guaranteed bank loans through its Export Working Capital Scheme
- An export insurance policy that can help recover the costs of fulfilling an order that is terminated by events outside of your control
- Support finance for overseas buyers through the Direct Lending Facility scheme, so they can continue to buy your goods and services

To find out if UKEF covers your region, email customer.service@ukexportfinance.gov.uk

Many businesses that import goods into the UK from outside the EU operate deferment accounts, which allow payment of import VAT and duty to be delayed for 15 days after the month in which the goods are brought into the country.

See Gov.uk - How to set up a deferment account: https://www.gov.uk/guidance/setting-up-an-account-to-defer-duty-payments-when-you-import-goods

HMRC requires such accounts to be supported by a bank or insurance company guarantee. As payments to settle deferment accounts are not covered by the general deferral of VAT payments until 30 June, importers have been increasingly concerned that failure to abide by the terms of the account could mean that their account might be suspended and that HMRC may call on its guarantee to settle the unpaid duty. Considering the challenges faced by importers at this time, HMRC have stated:

"Duty deferment account holders who are experiencing severe financial difficulty as a result of coronavirus and who are unable to make payment of deferred customs duties and import VAT due on 15 April 2020 can contact HMRC for approval to enter into an extended period to make full or partial payment, without having their guarantee called upon or their deferment account suspended. The account holder should contact the Duty Deferment Office at 03000 594243 or by email cdoenquiries@hmrc.gov.uk or the COVID-19 helpline on 0800 024 1222. Account holders will be asked to provide an explanation of how coronavirus has impacted their business finances and cash flow."

Duty Deferment account holders will be able to use their accounts during the extended payment period agreed unless they default on a subsequent payment in that period, in which case HMRC may consider suspending their account. The outstanding payment will not affect their duty deferment limit so they will not need to increase their guarantee to cover the outstanding payment. Where HMRC agree to an extended payment period, interest will not be charged on the outstanding payments provided they are paid in full by the agreed date.

Registered Importers who pay cash or an equivalent and are facing severe financial difficulties as a direct result of Covid-19 can contact HMRC to request an extension to the payment deadline at the time the payment is due. They will be asked to provide an explanation of how Covid-19 has impacted on their business finances. HMRC will consider this request and decide whether to agree an additional time to pay. The decision will be taken on a case-by-case basis and could be refused.

If the request is approved the conditions, including the length of time offered, will depend upon the importer's individual circumstances and may require the holding of a guarantee for the period of the time extension. They do not offer this facility to non-registered importers. For further information, please contact the Customs Debt Policy inbox: custdebtrr.customspolicy@hmrc.gov.uk

VAT

In response to the Coronavirus pandemic, HMRC announced the option for businesses to defer VAT payments due between 20 March 2020 and 30 June 2020 and as such, VAT due to HMRC from that period will now be due on or before the 31st March 2021.

VAT registered businesses will not need to notify HMRC of their intention to defer the relevant payments although VAT returns will still need to be submitted on time. As previously reported, any direct debits will need to be cancelled by the taxpayer to ensure the payment is not made to HMRC automatically.

Currently, this deferral would mean that July payments resulting from a May return would still be due in the normal way. Further time to pay can be sought for businesses who need greater financial assistance though this is not automatic and must be agreed with HMRC.

Additionally, this deferral does not apply to VATMOSS payments and these must be made in the usual manner

Coronavirus Business Interruption Loan Scheme (CBILS)

It's clear from client feedback and reports in the professional press that CBILS isn't working effectively. Those that are receiving support have had indicative interest rates after the 12m interest free period of 10%+.

If you want to discuss your own requirements or applications, please do get in touch.

In the 3 weeks since CBILS was launched just over 2% of the estimated 300k applications for help have received rescue loans and most of those have been supported by RBS. 9% have been rejected.

The issue seems to be that the banks take the view that they are still exposed by 20% of the debt, so all applications have to go through the normal credit control procedures, so enough said. The nascent but rapidly growing independent finance sector are seeing this as a great opportunity.

The Chancellor announced some important changes to CBILS on 3 April which means that some business applications which were unsuccessful could now be re-submitted and hopefully approved. The key changes were:

- Initially, if a business were able to qualify for a commercial finance package (i.e. a lender would have given the business a loan / overdraft etc. without needing the government's guarantee) then they were ineligible for CBILS. As of 3 April, this has been removed so every small business can now apply for a CBILS facility.
- Lenders have also had to stop requiring business owners to sign personal guarantees (PGs) on facilities below £250k. For facilities above £250k, lenders may require PGs, but these are capped at 20% of the remaining facility balance after the proceeds of business assets have been applied. The PG is also not permitted to include the Principal Private Residence (i.e. house) of the business owner.

These changes don't seem to have had any effect on approval rates and the Treasury is coming under mounting pressure to underwrite 100% of the loans, as Germany and Switzerland have done, removing the risk of default from banks so removing grounds for delaying applications for normal credit control processes – which were often appallingly slow before Covid-19.

Indeed, there is a suggestion of an automatic uplift in overdraft facilities by £25k.

The Chancellor is also reported to be preparing to double the amount midsized companies can borrow to £50m following concerns the current limit will leave larger businesses without adequate support.

RBS approved 70% or 2,500 of the CBILS loans and is so far the only major bank offering loans below £25,000. Small businesses are reporting that banks require them to borrow a minimum of £25k.

CBILS is being administered through the British Business Bank (founded in 2008 in response to the Global Financial Crisis). The BBB have two key roles:

- Approving lenders so they can offer the scheme to businesses. There are currently 47 approved lenders - more are expected to be added in the coming weeks; and
- Registering the loans provided by the approved lenders so that each loan is being covered by the government guarantee.

Overview of the scheme: https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils/

Given that CBILS covers four different types of finance (term loan, asset finance, overdraft and invoice finance) it is important to understand what these are and then decide the best offering for a specific business and need.

The following sectors are not eligible for CBILS:

- Banks, insurers and reinsurers (but not insurance brokers)
- Public-sector bodies
- Further-education establishments, if they are grant-funded
- State-funded primary and secondary schools

The scheme may also be relevant for start-up businesses, however, the BBB Start Up Loans program which provides loans from £500 to £25,000 may be more suitable. More details can be found here: https://www.startuploans.co.uk/

Coronavirus Statutory Sick Pay Rebate Scheme

The government's online service for employers to reclaim SSP is not available yet. HMRC has undertaken to announce once it is available and will update its Claim back SSP paid to employees due to coronavirus (COVID-19) guidance.

Support for employers paying sick pay to employees taking sick leave due to coronavirus is through the Coronavirus Statutory Sick Pay Rebate Scheme (SSPRS). This will repay the statutory sick pay (SSP) to employers paid to employees for periods of sickness starting on or after 13 March 2020. The maximum recoverable will be the SSP amounts prescribed by government of £94.25pw for 2019/20 and £95.85pw for 2020/21.

The SSPRS can be used by employers if they:

- are claiming for an employee who is eligible for sick pay due to coronavirus; and,
- had a PAYE payroll scheme that contained fewer than 250 employees on 28 February 2020.

Connected companies and charities can use the scheme if their total combined number of PAYE employees was fewer than 250 on 28 February 2020. The scheme covers all types of employment contracts, including:

- full-time employees
- part-time employees

- employees on agency contracts
- employees on flexible or zero-hours contracts.

Entitlement to SSP is based on average earnings in the eight weeks prior to the absence reaching the lower earnings limit for the year in question. Thus, for a zero-hours contract employee, it does not matter whether or not the employee was assigned any work in the week in which they are now sick.

Employers must keep records of the SSP claimed from HMRC for at least three years following a claim. These records must include:

- the reason why each employee could not work;
- details of each period when each employee could not work, including start and end dates;
- details of the SSP qualifying days when each employee could not work; and,
- NI numbers of all employees to whom SSP has been paid.

For coronavirus (COVID-19) cases, there are two categories of employees and they have different rights to SSP:

- Employees who because of COVID-19 were absent from work due to sickness or self-isolated before 13 March 2020. As for normal SSP, 'waiting days' apply and employers should pay SSP from the 4th 'qualifying day'.

- Employees who on or after 13 March 2020 are absent from work due to sickness or need to self-isolate because of COVID-19.

Self-isolating includes those caring for people self-isolating in the same household and therefore have been advised to do a household quarantine. It also includes sick individuals who are 'shielding' to protect those who are clinically extremely vulnerable.

Employers should start paying SSP from the first 'qualifying day' that an employee is off work, as long as they are off sick for at least four days in a row.

Employees who are on sick leave or self-isolating because of COVID-19 should speak to their employer about whether they are eligible for SSP. They should be paid SSP while on sick leave or self-isolating. When they are once again available for work, they can be furloughed under the COVID-19 job retention scheme. Employees who choose to self-isolate and are not sick are making themselves unavailable for work so are ineligible for either SSP or furloughing.

Employees who have COVID-19 or are advised to self-isolate can obtain an '*isolation note*' by visiting NHS 111 online and completing an online form rather than visiting a doctor. For COVID-19 cases, this replaces the usual need to provide a 'fit note' after seven days of sickness absence. Isolation notes will also be accepted by Job Centre Plus as evidence of inability to attend for benefit interview purposes.

Employers can use the government's SSP calculator to work out an employee's sick pay if their payroll software does not do this (the government's SSP calculator has been updated for the 2020/21 rates), or use the table in HMRC's Working out employees' statutory sick pay guidance to work it out manually.

Entitlement to SSP is based on average earnings in the eight weeks prior to the absence reaching the lower earnings limit for the year in question. Thus, for a zero-hours contract employee, it does not matter whether or not the employee was assigned any work in the week in which they are now sick.

Employers must keep, for at least three years following a claim, records of all the SSP claimed from HMRC. These records must include:

- the reason why each employee could not work;
- details of each period when each employee could not work, including start and end dates;
- details of the SSP qualifying days when each employee could not work; and,
- NI numbers of all employees to whom SSP has been paid.

For coronavirus (COVID-19) cases, there are two categories of employees and they have different rights to SSP:

- Employees who because of COVID-19 were absent from work due to sickness or self-isolated before 13 March 2020. As for normal SSP, 'waiting days' apply and employers should pay SSP from the fourth 'qualifying day'.
- Employees who on or after 13 March 2020 are because of COVID-19 absent from work due to sickness or need to self-isolate. Self-isolating includes those caring for people self-isolating in the same household and therefore have been advised to do a household quarantine. It also includes sick individuals who are 'shielding', which is a measure to protect people who are clinically extremely vulnerable.

Employers should start paying SSP from the first 'qualifying day' that an employee is off work, as long as they are off sick for at least four days in a row.

Employees who are on sick leave or self-isolating because of COVID-19 should speak to their employer about whether they are eligible for SSP. They should be paid SSP while on sick leave or self-isolating. When they are once again available for work, they can be furloughed under the COVID-19 job retention scheme. Employees who choose to self-isolate and are not sick are making themselves unavailable for work so are ineligible for either SSP or furloughing.

The amount that an employer must actually pay an employee for each day that they are off work due to illness (the daily rate) depends on the number of 'qualifying days' that they work each week. Employers can use the government's SSP calculator to work out an employee's sick pay if their payroll software does not do this (the government's SSP calculator has been updated for the 2020/21 rates), or use the table in HMRC's Working out employees' statutory sick pay guidance to work it out manually.

Charities

The measures being taken to contain COVID 19 will impact on charities in many different ways and it is important for charity trustees to understand the impact on the delivery of their activity and their governance including their finances.

We will be discussing with our clients the impact of Covid-19 and how this should be reflected in their accounts. As noted above, some of the Top 10 accountancy firms are reported to be refusing to sign audit reports now till June at the earliest to allow a better understanding of the impact on their clients' financial health.

Its more imperative than ever that trustees maintain regular contact through Zoom or Teams meetings with their executives, offering support, guidance and decision making in such challenging times, developing the strategy for responding to this crisis.

Where a charity is preparing a set of accounts and these have not yet been approved, trustees should consider whether information needs to be included to explain the impact of the COVID 19 situation on their charity. There could be changes to the financial statements needed as a result of the COVID 19 situation and it is important that trustees understand and consider these.

Covid-19 may impact on the delivery of and demand for the activities of charities, the availability of staff for work, and levels of illness across society which will affect the beneficiaries of charities. There are therefore potential implications for charity income, expenditure and commitments, and the value of charity assets and liabilities. In some cases, the implications may be so severe as to cast doubt upon a charity's financial sustainability.

Councils have sustained years of cut-backs, and those charities still largely dependent on council funding for social care etc will no doubt be watching carefully reports on further pressures on Councils from their own falling income – car parks, leisure centres and so on.

Trustees will also be aware that it will be important to provide users of the accounts with information about the material decisions they have had to take on judgements and uncertainties.

The issues to be addressed broadly break into 2 categories, the Trustees' Annual Report and the accounts themselves.

Trustees' Report:

When preparing the Report, the following may be pertinent to the reader:

- How the virus control measures affected its activities
- Financial uncertainties over sustainability and even going concern and the steps being taken to address this.
- How the contribution of volunteers, where appropriate, is assisting the charity in its work in managing in the changed circumstances
- The impact on fundraising and how the trustees are managing this
- The impact of the virus on staff, volunteers and beneficiaries and the implications for its operations and activities for the coming year
- The steps being taken to manage the principal risks and uncertainties facing the charity during the reporting period specifically from Covid-19
- The implications for the defined benefit pension liability and investments the charity may hold
- Consider any impact on the charity's reserves policy, level of reserves and any change to designated funds set aside for future commitments
- Consider the likely impact on the future aims and activities of the charity

The Accounts:

In preparing charity accounts, we need to consider any adjusting post balance sheet events occurring after the end of the reporting period but before the accounts are approved which provide evidence of conditions existing at the reporting date that affect items in the balance sheet and items reported in the statement of financial activities. Typically, this would be where an asset proves to be impaired, for example the value of debtors or stock for resale or indeed that the likely impact of the virus on the charity's principal sources of income means that the charity may not be a going concern.

Post balance sheet events only need to be adjusted for in the SOFA (the results) or balance sheet where there is evidence of conditions existing at the reporting date. For example, as the COVID-19 crisis developed in 2020, it will be the case that December 2019 year end accounts are far less likely to be subject of an adjusting event.

The valuation of defined benefit pension assets and liabilities may be affected by the marked fall in financial markets for shares and other securities and government bonds, and indeed reduced dividend payment. Unless any change to conditions as at the reporting date results from this information then it would not be an adjusting event.

Charities providing goods and services to beneficiaries may need to give consideration as to any costs arising from potential or actual disruption to supply chains, availability of staff, and the charity's ability to fulfil any contractual obligations or meet performance targets which may give rise to additional costs or penalties. Unless any change to conditions as at the reporting date results from this information then it would not be an adjusting event.

Trustees will also need to consider including disclosures on non-adjusting balance sheet events. The disclosure of non-adjusting events provides useful and relevant information about the charity to users of the accounts. Examples of non-adjusting events might be:

- a material loss in the value of an asset subsequent to the reporting date.
- a material loss in the value of investments
- a material change in the defined benefit pension scheme liability

When assessing whether the charity is a going concern basis, trustees need to consider the next 12 months from the date they approve the accounts looking for example at budgets and forecasts for income, expenditure and cash-flows, having regard to the available unrestricted funds and reserves, credit facilities (such as overdrafts), and any other forms of financial assistance available to the charity.

Trustees should consider whether there is a matter to do with beneficiary welfare or the charity's ability to continue which they may need to notify to their charity regulator. Reference should be made to the website of the relevant charity regulator for further guidance.

Related Party Transactions

Being of major importance to the Charity Commission, whilst its nothing to do with Covid-19 its certainly worth a reminder whilst we're talking about charity accounts!

The Statement of Recommended Practice (SORP) creates extra complexity regarding related party transactions, so knowing its requirements is absolutely crucial. Related party names need to be disclosed, which is not a requirement for non-charities.

Based on the SORP, related party transactions can never be deemed immaterial.

And, when there are no disclosable related party transactions, this fact needs to be disclosed.

Academy schools are different again. The sector's financial handbook includes specific regulations in relation to the conduct of connected body and related party transactions – and these regulations, in turn, trigger specific disclosure requirements in the accounts. Clearly, much can go wrong.

Working Tax Credits

The government has announced that Working Tax Credits payments will be increased from 6 April 2020 by £1,045 to £3,040 from 6 April 2020 until 5 April 2021. The amount a claimant or household will benefit from will depend on their circumstances, including their level of household income. But the increase could mean up to an extra £20 each week.

The government is also uprating Child Benefit, other tax credits rates and thresholds, and Guardian's Allowance by 1.7% with effect from 6 April 2020. These increases came into effect on the 6 April, but individual payment dates will vary depending on circumstances.

You don't have to take any action and you will receive any increased payments automatically.

A full list of tax credits, child benefit and Guardian's allowance can be found at:

https://www.gov.uk/government/publications/rates-and-allowances-tax-credits-child-benefit-and-guardians-allowance/tax-credits-child-benefit-and-guardians-allowance

Holidays

Thinking forward, we're all going to have to run a lot harder after lockdown to catch back up on any work that has been delayed by lockdown. But the nightmare scenario is of course all our staff wanting to take their holidays over the remains of the summer, and certainly before the end of the holiday year when unused holiday may otherwise lapse, subject to the discretion and agreement of employer and employee. Again though this just pushes the problem into the next year.

This is exacerbated by holiday leave continuing to accrue as normal during furlough leave.

Emergency legislation has however been passed allowing employees to carry forward a maximum of 10 holidays into the next two holiday years.

We all need to be giving thought to how we deal with this potential issue before we discuss it with our employees and seek their agreement.

One option would be to encourage staff to carry forward holidays, subject to the maximum of 10. You can come to your own agreement with your staff on how those are used in the following two holiday years for example placing a cap on each holiday year of additional days. This would result in an employee who carries forward 10 days from this year, could only use five extra days in 2021 and the remaining five in 2022. Once again this eases the burden. Alternatively, you could consider making employees take holidays.

We understand that the legal way of doing this is to provide twice as much notice as the amount of holiday you require them to take. For example, if you require an employee to use one week of holiday, you must give two weeks' notice. If you require them to take 2 weeks, then 4 weeks' notice is required etc. This method may help you make employees use holiday when you are back from lockdown.

Of course, one problem is when returning from lockdown many employers will hope to work particularly hard to make up ground. As such, making people take holidays when you are back from lockdown might not be conducive to this approach. You could therefore suggest a restriction on holidays for the remainder of this year and ask employees to carry forward the holidays.

The difficulty, yet again, is seeking agreement with employees, in a legally enforceable, and defensible, way. This again requires sound employment law advice. If you want a recommendation, please do get in touch.

Keeping Our Staff Healthy

As leaders, we particularly need to demonstrate support and care for our team in these times, mental health and socialising are genuine concerns and it is crucial that we pay attention to keeping our teams positive and with worries to the minimum. But while the usual means of keeping the team engaged and connected aren't available, there are other ways of helping your team's wellbeing in this current crisis.

Examples we've heard of are set out below:

- Each Friday, the team orders a takeaway and then chat using Team or Zoom about each other's choices. You can share pictures!
- Online team games including quizzes are proving very popular.
- Teams may arrange to have 'drinks together' and chat over their week and how they are coping. These can prove really effective, allowing staff to relax and unwind.

- Meditation or shared work-out sessions can help reduce anxiety and stress.

When being on Zoom or Team meetings, it's great how many small children wander into the session, which is really helpful to break things up and lighten the atmosphere, and get a privileged insight into a colleague's family life!

We do regular virtual Zoom or Team meetings both with clients and more particularly the staff to discuss client work and the ongoing COVID-19 crisis. Now that clients are aware of what they need to do to help us to help them, say in remote audits, our meetings are becoming more of a virtual coffee morning and chat.

This allows the team to share how they have been managing during the lockdown, as well as ideas and experiences, and discuss any concerns or problems. Going forwards, will home working become much more the norm? Our lease for the office is up in 18 months. This gives us plenty of time to plan for something very different!