BWM CHARTERED ACCOUNTANTS

Review & Update

If you had asked 3 months ago whether the UK could or would sustain a lockdown of the scale and thoroughness now being applied, most wouldn't have believed it and yet here we are. Further the scale and drive behind the Government's efforts to help must be unprecedented outside of wartime; the effectiveness and appropriateness and success of those efforts have yet to be seen and then only with the benefit of hindsight.

I've talked about the need for us all to learn from this in previous updates – it'll be all too easy when 'normal' working resumes and we are all playing catchup to overlook current ambitions but that would be a lost opportunity. That opportunity is likely to involve change, potentially painful change, and challenges. Not all are comfortable with change, but the reality is we need to accept and embrace that change, if we are to thrive and become more resilient in a post-Covid-19 world. Not that Covid-19 is going to go away, it may become more controlled as vaccines become available – but to entire populations, or at least enough to create the herd immunity we have heard so much about, will be an enormous challenge.

But the reality is that another such virus is more likely than not to emerge, maybe not as virulent as Covid-19 but the point is we don't know and should prepare for it.

And of course, it seems we need to consider the implications of a global recession, but one that hopefully will be short-lived. So what should we be considering?

The Restaurant Group (Wagamama, Frankie & Benny's brands) announced plans to raise £57m by way of a share placing as part of its plans to navigate the ongoing crisis, having modelled a "pessimistic scenario" for the remainder of the year. This assumes that all of its sites will remain closed until the end of June. I'm not sure I would describe June as pessimistic, I'd hope for the end of the tunnel to be in sight by end April, but I'd think end May or even June as realistic for an end to the lockdown, rather than pessimistic. I'd wonder if HMG would consider a phased end to the lockdown, going back to work under strict guidelines but keeping meeting places for large numbers closed for longer?

So back to the Covid-19 updates, sorry. The usual caveats apply.

The information set out below is based on our current understanding and this is being clarified and updated all the time, so what seems to be the situation today, may change tomorrow. Like all our earlier updates, these are given in good faith to help in a rapidly changing world where there are no definitive answers, and not within our expertise. If you need a definitive answer, bluntly it may not yet exist, but if you ask the question of us, we will do our best to get an answer, in so far as anyone may know!

Just a further reminder to be aware that scammers increasingly posing as HMRC officers.

Breaking News!

Charities have been hard hit with donations drying up etc, charity shops being closed, and fundraising events cancelled. Whilst they are eligible for the support measures available to businesses, but the existing furlough scheme for businesses is not always suited to charities, which can't just mothball their activities at a time when so many people need help from civil society organisations.

Charities are every bit as much as businesses at risk of being unable to cope and therefore being forced to close.

So Rishi Sunak, Chancellor of the Exchequer, announced yesterday £750m in new funding for the UK charity sector with £350m for smaller community charities, some of which will be distributed using the Big Lottery Reaching Communities fund, £60m to be spent in Scotland and Wales. A further £360m is to go directly to charities providing frontline services, including £200m to hospices and funding for organisations such as Citizens Advice.

The government will also match the money raised by the Comic Relief and Children in Need evening fundraising to be broadcast later in April, and finally it's also donating £20m to the *National Emergencies Trust appeal.*

Short Term Steps:

So, in fundamental business terms, what can we be doing in the meantime? Below are some thoughts, some are obvious but sometimes the obvious is worth saying:

- Review all capital expenditure and cancel or scale back to retain working capital, unless long term funding can be arranged on reasonable terms – please do get in touch if we can help in this regard.
- Prioritise those core activities that are viable and profitable and cash generative, and reduce work on those that have low profitability and little or no impact for the effort involved.
- Ensure you are getting up-to-date, reliable management information to allow you to make effective and timely decisions. That information should include updated budgets and forecasts.
- Zoom and Teams for instance are allowing conferences to take place allowing robust, frank and above all decisive planning to take place. There is little to be gained by putting off decisions, unless to gather further information to allow the 'right' decision to be made.
- This requires ensuring you know the financial out turn of each product line or activity, and if not clear, consider how your financial information is processed and what changes are required to achieve this – please do get in touch if we can help in this regard.
- Charities particularly operate reserve accounting, whether discretionary or required reserves held to meet the requirements of the donor or funder. The purpose of those funds should be reviewed in the light of the here & now, and if there aren't enough reserves, consider approaching the donor or funder for permission to apply those funds to help get through these difficult times.
- If your budgets and forecast look too challenging, give us a call to see if we can make suggestions, whether applying for funds (see below), help identify where cuts or furloughed jobs need to fall, or ultimately speak to a liquidator for their advice.
- Above all, keep thinking and communicating with your teams, as fresh ideas and challenges will keep presenting themselves. Not every decision is going to be right or perfect first time, but better than no decisions.
- We don't know how long this lockdown is going to last. The government seems to be using its scientific advisers to soften the ground, so a tough message was end-June if not longer, softened to potentially end May if we keep exercising social isolation and infection rates plateau and fall. End April seems wishful thinking.
- So plan for a long lockdown, keep listening and thinking focused on what's important, what works and what doesn't. Keep in touch with your teams, so you know what's going on and they don't feel so isolated

There's going to be more measures you can take but maybe the above gives a starter for 10? **Please do ring us if you want to discuss these or need a sounding board.**

Pay Reviews

There has been reports in the press of larger employers requiring staff to take temporary pay cuts, although some may be voluntary; others have offered a choice of reduced working hours or a sabbatical.

The reasons may vary but essentially if the business has suffered a fall in revenues from for example one product line, it might have furloughed some or all of the directly affected staff. But that of itself doesn't reduce the fixed overheads of the business so forcing the business into a loss making situation where sacrifices are required in the short term to protect the long term viability of the entity, to protect the jobs of all.

The question might be asked, why are you asking for us to accept a pay cut, can't you just get a loan (see below). Loans won't be right for every situation and bluntly they will need to be repaid.

But the pay cut needs to be seen to be proportionate and fair, not opportunistic. So more of the pain should fall on those earning the most. Bit like taxation.

But you must take employment law advice before doing anything. If you need a recommendation, give us a call.

Coronavirus Business Interruption Loan Scheme (CBILS)

The Treasury reacted to adverse publicity around banks being very resistant lo making loans, or on punitive terms.

So, lenders won't now be able to request personal guarantees for loans under £250,000. For loans of more than £250,000, personal guarantees will be limited to 20% of any amount outstanding on the CBILS lending after any other recoveries from business assets. A principal private residence cannot be taken as security to support a personal guarantee or as security for a coronavirus business interruption loan-backed facility. Security for the banks is provided by the government who will guarantee 80% of any losses suffered by the lender.

But there has been no move to cap the rates of interest potentially being sought, in some cases 16% or even 30% after the interest free 12m period. Clearly the intention of such punitive rates is to force repayment by the end of the 12m period.

It isn't clear yet whether banks are being more proactive or effective now in lending; what is clear is that the volume of enquiries is straining their resources.

In brief:

- Borrow up to £5m
- No interest payable for the first 12 months
    - Government will provide 80% security
    - Responsibility for repaying the loan or finance facility remains with the borrower
    - Range of funding options including loans as well as asset and invoice finance
    - Funding from high street banks as well as specialist lenders
    - Over 40 accredited lenders taking part in the scheme
    - Borrowing through CBILS was made available as of Monday 23 March 2020

- Access to a range of revolving and term finance options including:
  - Business loans and asset finance (terms of up to ten years)
  - Overdrafts
  - Invoice finance and revolving facilities (terms of up to three years)

Eligibility is limited to companies with an annual turnover not exceeding £45 million

- Must have a 'sound borrowing proposal', which would be considered viable by the lender outside of current conditions
- Lender must be convinced the borrowing will help the company trade out of the current situation and remain in business in the long term
- Funding will not be granted to prop up an already failing business

If you require help in obtaining this funding do please get in touch.

CBILS is only available to companies with turnover under £45 million, however, a new scheme to help those with an annual turnover between £45 million and £500 million obtain loans of up to £25 million is in the works.

COVID Corporate Financing Facility (CCFF).

CCFF is the new measure for larger companies and is:

- Administered by the Bank of England on behalf of HM Treasury
- Short-term finance option
- Funding through the issuing of commercial paper of up to one-year maturity
- Financing offered on terms comparable to those in the period before the COVID-19 outbreak
- For an initial 12-month period, although this may be extended
- Six months' notice will be given before the facility is removed
- Designed to help support the payment of wages, suppliers, or to increase general cash flow
- Details of how to apply are on the Bank of England website
- Scheme in operation since Monday 23 March 2020
- Short-term commercial paper
- Minimum £1m
- Maximum loan amount will be determined by the Bank of England on a case-by-case basis
- Term is from 1 week to 12 months with drawings able to be rolled over
- Available to non-financial businesses only
- Limited to those deemed to make a 'material contribution' to the UK economy
- Able to demonstrate that the company was in sound financial health prior to COVID-19 and any current financial difficulties are a direct result of this ongoing crisis
- Minimum credit rating required based on ratings prior to the emergence of the coronavirus outbreak
- No requirement to have issued commercial paper previously

Coronavirus Job Retention Scheme

This has been updated and with many helpful clarifications, virtually daily. The link is https://www.gov.uk/guidance/claim-for-wage-costs-through-the-coronavirus-job-retention-scheme

Indeed, further information was made available yesterday via the odd medium of Q&A in a meeting between HMRC and the Parliamentary Select Committee yesterday that the online portal will open on 20th April, with the first reimbursements made to employers on 30th April.

The intention is for payments to be made within 4-6 working days of submission of the data to HMRC via the portal to allow HMRC a chance to test for fraudulent claims.

Critically employers can submit claims 14 days ahead presumably allowing for payment before pay day.

HMRC are aware of the risk of abuse of the scheme, with an employee hotline being set-up for employees to report employers who abuse the scheme.

Helpfully, the House of Commons Library has issued a comprehensive guidance on FAQs on the Coronavirus Job Retention Scheme.

A guidance document explaining the process for submitting claims will be released next within the next week so employers can get claims ready for submission. As soon as this becomes available, we will circulate the same to all of our clients. As ever, we are always on hand to advise our business community on issues or queries that may arise.

Employers can claim for:

- Salaried members of Limited Liability Partnerships
- Agency workers including those employed by umbrella companies and
- Limb (b) workers who are paid through PAYE

Specific contingent worker guidance has been issued with regard to contingent workers in the public sector.

Volunteer work and training can be carried out by furloughed employees providing it does not provide services to or generate revenue for the organisation. The employer who furloughs the employee can help find furloughed employees new work or volunteering opportunities. Any employee who carries out any training must be paid at least the NMW. We know that employers are asking furloughed employees to undertake training to enhance or protect their skills for when they return to work.

Employers must confirm in writing to their employees that they have been furloughed and a record of that communication must be kept for five years. For those employers who have already furloughed employees, it’s being recommended that they send and retain that confirmation. We have provided pro-forma letters prepared by solicitors in earlier updates – if you want copies, please get in touch.

The basic mechanism for working out pay has not been amended and separates out full or part time employees on salary from employees whose pay varies but the guidance has been and clarified on other payments so employers are able to claim for "regular payments" they are obliged to pay for their employees, including wages, past overtime, fees and compulsory commission payments but discretionary bonuses including tips and commission payments are excluded.

Many employers try to share furlough amongst the workforce to be seen to be fair and the updated guidance has confirmed that employees can be furloughed multiple times, but each separate instance must be for a minimum period of 3 consecutive weeks, so allowing for rotation or taking them back on or off furloughing as the volume of available work permits.

Importantly, it has been clarified that any employee can be furloughed without having to prove that they would otherwise have been made redundant if they were not furloughed and there is then no requirement to justify how the employees were selected.

To qualify though, the employer must be enrolled for PAYE online, but if not so enrolled, this normally take up to 10 days, but these are hardly normal times.

It is been confirmed apprentices can be furloughed in the same way as other employees, subject again to the requirement of being on PAYE payroll by no later than 28 February 2020.

If employers receive public funds either as a public body or private organisation, you can't furlough the employee and claim through the scheme because you are being paid up to the full cost from public funds in the normal way and can't be paid a further 80% from the scheme towards staff costs. That would quite clearly be an abuse of public funds!

People who employ individuals for services such as a private nanny, housekeeper, chef etc can also furlough those employees subject to the above criteria.

Employees paid outside PAYE are not eligible for the scheme.

Those made redundant on or after 28 February 2020 can be reinstated and put on furlough, claiming their wages through the scheme. This would also apply to someone who has resigned and asks for their job to be reinstated so they can be furloughed, provided the employee resigned and left after 28 February 2020.

Chris Hayes from MSB drew our attention to the risks of this as reinstatement means their continuity of employment will continue and if they then accrue more than two years' continuous service it would become more problematic when the time comes to end their employment, as you would then have to dismiss them or they would have to resign again, however, at that point they would have ordinary unfair dismissal rights.

There is also a risk that HMRC later scrutinise this decision and consider it to be fraudulent and therefore decide not to reimburse the employer.

There is a risk of exacerbating cash flow problems as the scheme may not be operating till the end of April, and given the scale of applicants, the logistical challenges can't be underestimated.

Finally, dependent on the nature of the employee leaving, there may be general reluctance on the employer's part to reinstate them. To be clear, it is entirely at the discretion of the employer and may not be in the employer's own interests.

If an employee is sick then they should inform you as an employer at which point, they are entitled to SSP, or, your own sick pay provisions, but they can't be both on sick leave and on furlough leave. When the employee recovers from the sickness and reports to you as fit to work, they can be put on furlough at that point and then they will receive the furlough related pay. They should provide a sick note which is likely to be a note via the 111-telephone line the NHS are currently operating. Of course, that may disadvantage the employee who would suffer a financial loss depending on your sick pay policy.

Those people who are 'shielding' in line with government guidance can also be furloughed. These are the people who have been written to by the government and told they are a high-risk individual and therefore should shield.

It's also been confirmed that people who are employees and eligible can be furloughed if they are unable to work because they have caring responsibilities resulting from COVID-19. This includes employees that need to look after children or family members. They can be furloughed under the scheme.

Oddly enough, an employee can take another job with another employer whilst furloughed so in theory the employee could take another full-time job, receive pay from that new job whilst also receiving their remuneration whilst furloughed. The rationale seems to be that they could do jobs that are essential to keep the public running such as supermarket jobs etc.

If their contract of employment requires your consent before taking on the other job, that will remain the case. It has also been clarified that an employer can be furloughed from more than one job and receive up to 80% of the wages for each job. Employees can also be furloughed by umbrella companies and benefit from the scheme.

If a director is to be furloughed it must be dealt with formally and in accordance with company procedure and law. This would require a formal adopted resolution from the Board of Directors which is properly noted in the company records with a clear minute from that meeting. It must also be communicated in writing to the relevant directors.

The retention of the letters to furloughed staff may be a way for HMRC to detect fraud if perhaps at a later date, or as part of the claim and refund system, they require a copy of this letter. What is extremely important is the guidance has now made very clear a copy of the furlough letter must be kept for a minimum of five years and may form part of any subsequent audits HMRC may carry out.

What happens with Employer pension contributions if an Employee is furloughed?

Under the scheme you can claim for the minimum auto-enrolment pension contributions payable on the subsidised wages paid to furloughed employees. Any top-up will not be recoverable. Any additional pension contributions over the minimum auto-enrolment sum (currently 3% for employers) will not be recoverable and therefore payable by the employer. If an enhanced pension contribution is a contractual term, you should seek to agree that this will also be reduced to the current minimum, when you are consulting with them about being furloughed.

If you do not expressly agree this when furloughing, our understanding is the employer will have to continue paying the contractual agreed contribution, otherwise they risk being in breach of contract.

Annual leave will continue to accrue whilst on furlough, it is not yet clear whether an employee can be asked to take annual leave, or voluntarily take annual leave whilst on furlough leave.

This possibility of taking annual leave whilst on furlough leave, raises multiple complications including if an employee can be asked to take annual leave what would they be paid during that period? This is currently unclear.

The recommendation is to take legal advice and think it through very carefully. But the risk is that once work recommences, it'll be all hands to the pumps to get things back on an even keel and to have all your staff wanting to take their annual leave at the same time in what remains of the summer might well be extremely inconvenient.

Making a claim

- **To make a claim you will need:**
  - your PAYE reference number
  - the number of employees being furloughed
  - claim start and end dates
  - amount claimed
  - bank account and sort code
  - contact name & phone number
- **Calculate the amount you are claiming:**
  - a claim can only be made shortly before, or as you are undertaking the payroll run. While the guidance gives no definition of 'shortly before' the principle idea of the total guidance to date is that it is not possible to make a claim in advance of running the payroll
  - if you do not intend to 'top-up' the employee's pay for the 20% of income not covered by the grant, you need to ensure that the payroll is processed using only the amount calculated as available to claim under the grant
  - make the claim through the system that HMRC expect to introduce by the end of April

Self Employed

HMRC will pay a taxable grant to self-employed individuals and partners equivalent to 80% of their average trading profits for three months, capped at £2,500 per month.

It is difficult for HMRC to determine how much self-employed individuals earn in real time, in order to replace their lost income with government support. The government is basing the grant on the average of their trading profits as reported in their last three tax returns for the years: 2015/16 to 2018/19. If the taxpayer started trading within this three-year period the monthly average of profits will be calculated from the periods in which they were trading.

The taxpayer (or their tax agent) does not need to provide any figures at this stage. HMRC will arrive at the taxpayer's average earnings by totalling up the reported profit for the three tax years (or shorter period as applicable) and divide by three to arrive at a typical average year. One quarter of that average annual profit will then form the basis of the SEISS grant awarded at the 80% rate.

This grant may be extended beyond three months if the lockdown continues beyond the end of June.

The SEISS grant will not be payable to anyone who meets any of these conditions:

- has average annual profits of £50,000 or more – those taxpayers will get nothing
- has not submitted a tax return for 2018/19
- receive less than half of their annual taxable income from self-employed profits
- has already ceased trading permanently.

If the taxpayer has not submitted their 2018/19 tax return, they have until 23 April 2020 to submit it in order to qualify for the grant. Penalties for late filing and late payment of tax will apply as normal.

Those who started trading on or after 6 April 2019 are not eligible for the SEISS grant. This seems harsh, but HMRC has to draw the line somewhere.

The purpose of the SEISS grant is to help traders through the coronavirus crisis. To qualify for the grant the business must have traded in 2019/20 and would still be trading if it hadn't been for the interruption to business due to the coronavirus. If the trader has taken the decision to cease trading completely, no grant is payable.

Property letting businesses are not regarded as a trade, so landlords will not qualify for the SEISS grant even if more than half of their taxable income is from rental income.

Similarly, the letting of furnished holiday accommodation is not strictly a trade, although it may be treated as a trade for certain pensions and CGT purposes. HMRC are unlikely to consider income from furnished holiday accommodation as qualifying for the SEISS grant, although these landlords will be among the hardest hit of all "self-employed".

HMRC will contact those taxpayers who are eligible for this grant and will invite them to apply for the payment online. It is not clear if this contact will be made by letter, but it certainly won't be by email or text message.

HMRC warns taxpayers not to be taken in by scammers who email, text, or call, offering money from HMRC then ask for the business bank details to be confirmed. Warn clients not to click on a link in an email, or reply to a text, purporting to be from HMRC.

The taxpayer may need to confirm to HMRC that they were trading in 2019/20 and expect to continue to trade in 2020/21. Some indication of the business turnover for 2019/20 may have to be provided at that point.

The SEISS grant for three months will be payable in one lump sum into the taxpayer's bank account, but the money will not be available until early June. The grant will be treated as taxable income, reported on tax returns for 2020/21. Taxpayers in receipt of working tax credits or universal credit will have to treat the SEISS grant as part of their self-employed income for 2020/21.

Grants

Liverpool City Council, which is administering the scheme in the city, says that since inviting applications a few days ago, around 3,600 had filled in the online form. The fund is largely aimed at retail hospitality and leisure businesses and there is also help for other types of firms.

The council says it has already approved 150 of the applications and grants totalling more than £3m are expected to start arriving in the bank accounts of businesses by Wednesday, April 8.

It is estimated that up to 9,000 businesses in Liverpool could benefit from the scheme which offers cash grants of £10,000 and £25,000, depending on the rateable value of the business.

All businesses with a rateable value of £15,000 or below will be eligible to apply for a £10,000 grant. To qualify they must have been receiving Small Business Rates Relief and need to provide a bank statement form the past three months.

Businesses in the retail, hospitality and leisure sectors will qualify for help under the Government's Retail, Hospitality and Leisure Grant Fund. Small businesses in other sectors will receive help under the Government's Small Business Grant.

For firms with a rateable value between £15,000.01 and less than £51,000, they may qualify for a £25,000 grant. The expanded retail discount – the 100% reduction to your business rates for 2020/21 – must also apply.

Qualifying businesses include:

- Shops.
- Cafes, restaurants, take-aways and drinking establishments.
- Cinemas, music venues and nightclubs.
- Petrol stations.
- Gyms, leisure and sports facilities.
- Estate agents and letting agents.
- Betting shops and bingo halls.
- Car show rooms.
- Hotels and guest houses

If a business has multiple premises, businesses are advised that they must submit an application for each one. The application must be completed by the business ratepayer. If the ratepayer is a company or partnership, it should be completed by a company director or one of the partners in the firm.

Liverpool Mayor Joe Anderson said: "This grant support scheme will be welcome news for many small businesses across the city. I would urge any that qualify to fill in our new online form as soon as possible.

"We are working very hard behind the scenes to ensure businesses do not go under due to rent arrears, utility bills and business loans and I'm writing to the Governor of the Bank of England to seek further assurances on the level of banking support businesses can receive."

Investment Update

The Covid-19 pandemic has seen an unparalleled challenge to all countries, with the weaknesses of the global economy & travel ruthlessly exposed resulting in the quarantining of populations irrespective of the harm caused to businesses large and small. So, businesses and their funders, the banks primarily, are faced with a situation whose consequences they don't understand and can't predict. Indeed what are the long term economic consequences going to be, a recession is looking increasingly likely.

As discussed, and anticipated, this is causing many companies to cut back on their dividend payments to protect cash & capital. The reason for this is stark, to ensure they survive this crisis, to allow them to rebuild and plan for another such eventuality. As those companies, large and small, get themselves back on their feet, so are nations going to have to rebuild their own balance sheets and address the vast amounts of national debt that is no doubt accumulating right now.

Experienced long-term investors may come to regard this as an aberration albeit one with terrible consequences for individuals and indeed business, maybe one lasting several years, and unparalleled, but a blip. At least we hope they will!

Many charities and indeed other investors however depend on the dividend income, either to fund their core activities e.g. grant making charities, or to provide that modest surplus that allows them to develop their core offering.

It remains to be seen how cautious and well diversified portfolios, and hedging, will fare against say balanced or even growth portfolios. Property investments have typically been seen as a safe haven, but have suffered as badly as businesses are now demanding rent holidays not just deferrals – with offices and shops etc closed - which will hit the earnings of property investment companies, often themselves highly geared. Many investors have dashed for cash. Hedge funds didn't typically work in the financial crash, have lessons been learnt?

So, companies have every incentive to cut dividends, particularly those in sectors badly affected, with high gearing, in mining, oil, leisure and retail.

Negative in the short term, and painful for those dependent on the income, nonetheless this will help protect long term wealth and wealth creation.

The UK market is also very reliant on a small handful of large dividend payers, with the top 5 representing 34% of total dividend payments in 2019, and the top 15 representing 64%. These companies are often in sectors with relatively little structural growth, like oil, miners and banks. Those three sectors are all cyclical, or sensitive to economic cycles, so the broader economic outlook will be critical in determining their dividend policies in 2020 and beyond.

The banking sector, under guidance from the Prudential Regulatory Authority and the Bank of England, agreed to cancel their upcoming dividends to protect their financial strength and ability to support business and individual borrowers through this period.

One investment house made a range of assumptions against different industries and suggested reductions in UK dividends might be between c.35-40%, although temporary in nature, and reinstated later in the year or in 2021.

They noted that overseas equities typically have lower yields but have in general a higher level of dividend cover and are thus less likely to cut, or to cut to the same extent and thus supporting overall portfolio income. Fixed Income (bonds) holdings are likely to be unaffected and should continue to produce reliable income. With these offsetting factors, they suggested a well-diversified portfolio income level might be estimated to reduce by circa 20-25%.

R&D Tax Incentives

Research and Development (R&D) tax credits are being pushed hard in the current climate, being available to companies working on specific projects to develop new products or services, change processes or to do things differently.

Companies that are eligible for the tax incentives are extremely diverse and those businesses that recognise that the tax support is focused at 'on the ground' activities can reap considerable benefits.

As COVID-19 continues to impact on the day-to-day operations of businesses, considering all potential sources of finance and short-term cash is key. Cashflow management will be vital now and in the coming months in order to identify shortfalls and areas in which you can make savings.

One option to explore is Research and Development (R&D) tax credits, which are available for companies working on specific projects to develop new products or services, change processes or to do things differently.

Companies that are eligible for the tax incentives are extremely diverse and the term 'R&D' can deter some from looking into the opportunity.

R&D tax credits schemes are:

- A retrospective 'subsidy' of up to 33.3% of qualifying expenditure as the company has already incurred the costs.
- In most cases, the cash payment is paid by HMRC to the company in just over one month from the filing of the claim.
- A relatively straightforward process through amendment to the company's self-assessment tax return.
- All companies can claim even if they do not pay corporation tax because they are unprofitable.
- Small and medium sized companies can generally claim a credit worth 25% to 33% of their eligible R&D expenditure, or c10% for larger companies.

Please get in touch if you want to discuss this further.

Self-Employed Income Support Scheme & Universal Credit for self-employed individuals.

Landlords

3-month mortgage payment holidays are available for personal and buy-to-let mortgages so check your lender's websites for details on how to apply for these payments holidays although unless agreed otherwise with your lender, you will still be charged interest during the payment holiday.

FCA guidance states that this will not have a negative impact on your credit file

Landlords need to give private tenants 3 months' notice if they intend to seek possession. The court process cannot start until after this period; this applies until 30 September 2020 and may be extended. From 27 March 2020, all ongoing housing possession action was also suspended.

Charities SORP

The SORP committee has issued an update on the points to consider from Covid-19 affecting charity accounts. If you want more details, please get in touch.

VAT MTD

HMRC has confirmed that they are allowing an extension to the deadline for implementing full digital links for Making Tax Digital (MTD) for VAT, therefore extending the soft-landing period.

Given the impact of COVID-19, they are providing all MTD VAT registered organisations with more time to put in place digital links between all parts of their functional compatible software. This means that all businesses now have until their first VAT return period starting on or after 1 April 2021 to put digital links in place. Therefore, up until this time, the use of bridging software can continue.

This is good news for charities and other not for profit organisations that have complex VAT accounting, as it allows the current bridging software solution to continue for another year.