BWM
CHARTERED ACCOUNTANTS

# COVID – 19 Update 14

## Index

## Review

So its late May and we're still in lockdown; this is our 14th Covid update, and probably the last addressing what has been a fast-changing situation which feels as though its now turning into an over-long stretch, with increasing reference being made to the need to be aware of mental health issues and support for staff.

It's not altogether too clear how well the need to maintain social distancing is still working, whether the public isn't becoming a little weary of it now where there isn't the pressure maintained by the banks, essential shops etc for orderly queuing.  This is based on observation whilst taking daily exercise (well you see a lot of people on an 8 mile run!).

Whilst already flat out dealing with grants, suppliers, customers, employees and the rest of the 'normal' day job, it's really hard to focus on the future, and we can't think of a time where businesses had so many difficult decisions to make.

We also have been incredibly busy making sure you are informed, prepared to survive the pandemic, and prosper in the future. We have also been helping our clients with Government supports, R&D claims all as part of ensuring as many of our clients get through this in as good a shape as possible.

Let's have the usual reminder.  This update as with all the others is written in good faith, based on an understanding of the current situation using published information which is being updated and clarified all the time.  This is such a rapidly changing environment, and many of the topics touched on are not within our normal day jobs but included simply in an attempt to be helpful.

This update does not then and never can represent definitive advice on any particular issue. It should not then be relied on instead of taking proper, full advice informed as to your particular facts.

The Covid-19 coronavirus pandemic has resulted in over four million confirmed cases world-wide, and tragically, over 350,000 deaths. It has devastated travel around the globe, with the Foreign and Commonwealth Office now warning against all non-essential foreign trips indefinitely and advising any still overseas to return to the UK immediately.

The UK base rate dropped to a 325 year low in March, just 0.1%. Savings rates have gradually crumbled since then of course, and dividend payments by many companies are going the same way, especially for those being required or pressured to review their dividend policies – or those taking advantage of the situation to do so.

The economists are now swinging away from a V shaped recovery to a U or even L shape, so clearly the economic impact won't be over by Christmas!  The Office for Budget Responsibility (OBR) says the UK should "*expect a slower recovery than the v-shaped"* and that the economy may face "*permanent scarring*" because of the pandemic with discussion turning to how the Chancellor can address what could be a £300bn bill for rescuing the economy in 2020, through tax increases, or austerity, or both.

That said, the Bank of England's chief economist was reported yesterday in the papers as saying that the UK economy is on course for a short V-shaped recession following signs of a "modest recovery" in spending and business confidence. However, Andy Haldane also warned of a "paradox of thrift" unless the government can instil confidence in businesses and households.

There has to be a joke or a moral in there somewhere about economists. But not much of one if the OECD estimates of the increase in the richest nations' debt does indeed exceed the $17tn rise seen during the financial crisis of 2008-09. It makes you wonder who precisely is lending all that money and how it's to be repaid.

It has been suggested that a 5p increase in the basic rate of income tax would be needed to fund the increased UK debt. The worst-case scenario envisages a £516bn deficit and the best-case picture leads to a £209bn deficit this year with the risk of a sovereign debt crisis if the economy does not recover soon.

Elsewhere, banks have followed government instructions to cancel dividends and build up capital to meet losses and the European banking sector has lost half its value year-to-date. With shareholders on the hook there will be no direct bail outs of banks this time. Nonetheless, in extending quantitative easing (QE) to commercial paper and corporate credit, central banks such as the US Federal Reserve, European Central Bank and Bank of England are bearing much of the risk. As, of course, are governments through the loan guarantee schemes.

The UK Government issued debt last week with its first-ever negative interest rate in the UK! Purchasers of the 0¾% Treasury Gilt 2023 accepted a negative yield of -0.003% on their investment so an investor pf £1,000 will lose 10p on the repayment of the £1,000 on 22 July 2023. Yields on 10-year and 30-year gilts are just still in positive territory at around +0.24% and +0.63% respectively. So, it's not clear yet if the UK Government at the stage of money for nothing!

Global stock markets rose yesterday as lockdown measures across the world began to lift and the FTSE 100 closed up 1.2% boosted by big gains in travel shares. What all this means for the stock market is quite unclear at the moment. A well-written and informed investment report published last week by a respected investment house might have been more readily if perhaps unfairly summarised by the word 'dunno'.

But as anticipated, focus has now swung to the exit from lockdown. Every bit as much as the Government is evidently struggling to develop a coherent policy for a managed exit from lockdown, reflecting the risk of further resurgences, so employers are having to address how they welcome staff back to 'normal' working in a safe manner, recognising the risks of employees falling ill. It seems unlikely that 'normal' working won't resume for some time yet.

Those nations which have been ahead in the process of returning to work have seen the emergence of secondary infections and are having to pursue a gradual lifting of restrictions. Singapore, for example, has seen a sharp jump in secondary infections.

With the announcement over the bank holiday weekend that shops will reopen from 15 June, there have also been signs elsewhere that consumers have been reluctant to return to shops and restaurants. In China, companies are offering credit and discount vouchers to lure consumers back, whilst communist party officials have been told to be seen out shopping.

It would not be surprising then if consumer caution was a key factor in any global recovery given the shock to the economy and employment, thus tempering the upswing. Business spending may be slow with ongoing uncertainty inhibiting any willingness to make major investment commitments.

Travel and tourism, for example, is likely to be very weak this year, with profound implications for the more vulnerable economies of those countries dependent on tourism, whilst the trend toward greater home shopping and working from home will accelerate at the expense of High Street retailers and offices.

Business is likely to rethink supply chains and its dependence on distant travel links. There may well be a preference to move more production closer to home, although this may mean more automation rather than a big rise in demand for local labour.

### Back to Work

We again take no responsibility for this section whatsoever but thought it would be helpful to pull together some extracts and notes set out below for consideration as a starter for ten. This cannot cover all situations.

All employers must take their own advice and consider the steps fully. Each business will differ, and no notes can address all situations. Government guidance is likely to change so this also needs to be monitored carefully and followed. It doesn't seem hard to envisage claims being brought by employees for infection caught in the workplace, so employers will need to apply all reasonable care.

The UK Government's COVID-19 recovery strategy has been published and with 51 pages, it's beyond the scope of this newsletter, so follow this link for the full document. At the end of the day, any effective safe working policy is going to depend on the buy-in by staff, and their common sense and care in its successful application.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/884171/FINAL_6.6637_CO_HMG_C19_Recovery_FINAL_110520_v2_WEB__1_.pdf?mc_cid=8906abd006&mc_eid=62484ce5f2

Safe Working

PDF
working-safely-during-covid-19-offices-co

'COVID-19 secure' guidelines are available to UK employers to help them get their businesses back up and running and workplaces operating as safely as possible.

The government consulted approximately 250 stakeholders in preparing the guidance with input from firms, unions, industry bodies and the devolved administrations in Northern Ireland, Scotland and Wales and in consultation with Public Health England (PHE) and the Health and Safety Executive (HSE), to develop best practice on the safest ways of working across the economy, providing people with the confidence they need to return to work.

The new guidance provided 8 workplace settings which can open, ranging from outdoor environments and construction sites to factories and takeaways. These may provide pointers for other businesses.

*5 Key Points:*

Some practical steps for consideration include:

1. Work from home if you can. All reasonable steps should be taken by employers to help people to continue to work from home. But for those employees who cannot work from home and whose workplace has not been told to close, the message is clear: you will need to go to work unless shielded, or ill. Staff should speak to their employer about when their workplace will open.

2. Carry out a COVID-19 risk assessment, in consultation with workers or trade unions. This guidance operates within current health and safety employment and equalities legislation and employers will need to carry out COVID-19 risk assessments in consultation with their workers or trade unions, to establish what guidelines to put in place. If possible, employers should publish the results of their risk assessments on their website and all businesses with over 50 employees should do so.

3. Maintain 2 metres social distancing, wherever possible. Employers should re-design workspaces to maintain 2 metre distances between people by staggering start times, creating one-way walk-throughs, opening more entrances and exits, or changing seating layouts in break rooms.

4. Where people cannot be 2 metres apart, manage transmission risk, employers should investigate putting barriers in shared spaces, creating workplace shift patterns or fixed teams minimising the number of people in contact with one another, or ensuring colleagues are facing away from each other.

5. Reinforcing the cleaning processes, workplaces should be cleaned more frequently, paying close attention to high-contact objects like door handles and keyboards. Employers should provide handwashing facilities or hand sanitisers at entry and exit points.

A downloadable notice was included for employers to display in their workplaces to show their employees, customers, and other visitors to their workplace, that they have followed this guidance. You will find this notice on each individual section below.


*The guidance covers:*

*Guidance for people who work in or run outdoor working environments*

- Guidance:https://assets.publishing.service.gov.uk/media/5eb961bfe90e070834b6675f/working-safely-during-covid-19-construction-outdoors-110520.pdf
- Poster: https://assets.publishing.service.gov.uk/media/5eb959f5e90e0708370f97f9/staying-covid-19-secure.pdf

*Guidance for people who work in or run factories, plants and warehouses*

- Guidance: https://assets.publishing.service.gov.uk/media/5eb965d5d3bf7f5d3c74a2dd/working-safely-during-covid-19-factories-plants-warehouses-110520.pdf
- Poster: https://assets.publishing.service.gov.uk/media/5eb963fcd3bf7f5d39550303/staying-covid-19-secure.pdf

*Guidance for people who work in or run indoor labs and research facilities and similar environments*

- Guidance: https://assets.publishing.service.gov.uk/media/5eb9752086650c2799a57ac5/working-safely-during-covid-19-labs-research-facilities-110520.pdf
- Poster: https://assets.publishing.service.gov.uk/media/5eb9745a86650c2794d7501c/staying-covid-19-secure.pdf

*Guidance for people who work in or run offices, contact centres and similar indoor environments*

- Guidance: https://assets.publishing.service.gov.uk/media/5eb97e7686650c278d4496ea/working-safely-during-covid-19-offices-contact-centres-110520.pdf
- Poster: https://assets.publishing.service.gov.uk/media/5eb97d30d3bf7f5d364bfbb6/staying-covid-19-secure.pdf

*Guidance for people working in, visiting or delivering to other people's homes*

- Guidance: https://assets.publishing.service.gov.uk/media/5eb967e286650c2791ec7100/working-safely-during-covid-19-other-peoples-homes-110520.pdf
- Poster: https://assets.publishing.service.gov.uk/media/5eb966c8d3bf7f5d3e24afb7/staying-covid-19-secure.pdf

*Guidance for people who work in or run restaurants offering takeaway or delivery services*

- Guidance: https://assets.publishing.service.gov.uk/media/5eb96e8e86650c278b077616/working-safely-during-covid-19-restaurants-takeaway-delivery-110520.pdf
- Poster: https://assets.publishing.service.gov.uk/media/5eb96e36d3bf7f5d4043931f/staying-covid-19-secure.pdf

*Guidance for people who work in or run shops, branches, stores or similar environments*

- Guidance: https://assets.publishing.service.gov.uk/media/5eb9703de90e07082fa57ce0/working-safely-during-covid-19-shops-branches-110520.pdf
- Poster: https://assets.publishing.service.gov.uk/media/5eb97021d3bf7f5d43765cbf/staying-covid-19-secure.pdf

*Guidance for people who work in or from vehicles, including couriers, mobile workers, lorry drivers, on-site transit and work vehicles, field forces etc*

- Guidance: https://assets.publishing.service.gov.uk/media/5eb96cd6d3bf7f5d3a907e58/working-safely-during-covid-19-vehicles-110520.pdf
- Poster: https://assets.publishing.service.gov.uk/media/5eb96c67e90e07083cd8a46b/staying-covid-19-secure.pdf

*Health & Wellbeing of the Adult Social Care Workforce:*

The Government has issued advice for those working in adult social care on managing your mental health and how employers can take care of the wellbeing of their staff during the coronavirus outbreak.

https://www.gov.uk/government/publications/coronavirus-covid-19-health-and-wellbeing-of-the-adult-social-care-workforce?utm_source=d49d25b1-8b6d-4079-a9be-a21c447364a9&utm_medium=email&utm_campaign=govuk-notifications&utm_content=immediate

## Charity Support

The Culture Secretary announced last week that a further £150m is to be unlocked from dormant bank and building society accounts to help charities, social enterprises and vulnerable individuals during the coronavirus outbreak, whilst accelerating and repurposing the release of £79m already unlocked.
This is intended to support urgent work to tackle youth unemployment, expand access to emergency loans for civil society organisations and help improve the availability of fair, affordable credit to people in vulnerable circumstances. So:

- £10 million will be brought forward for the Youth Futures Foundation to help organisations who support unemployed, disadvantaged young people into jobs. They will be launching an Emergency Levelling Up Youth Fund to support young people from hardest hit communities; and will expand their Development and Impact grants programme to rapidly increase youth employment provisions.

- Big Society Capital will provide £45m for investment and emergency loans for charities, social enterprises and some small businesses facing cash-flow problems and disruption to their trading following the coronavirus outbreak.
- Fair4All Finance will provide £65m to support affordable credit providers to increase access to fair, appropriate products and services for those struggling financially, providing an alternative to high cost loans. This includes an expanded Affordable Credit Scale-up Programme and other initiatives for those in financially vulnerable circumstances.
- Access - The Foundation for Social Investment will have £30m to support social enterprises helping people in vulnerable circumstances with £10m available for emergency support through social lenders while also developing a wider programme of recovery finance for the social sector. Both initiatives will work alongside Big Society Capital and other social lenders to enable a wider range of organisations to access affordable and flexible finance.

The Government is currently consulting on expanding the dormant assets scheme to include a range of financial assets from the insurance and pensions, investment and wealth management, and securities sectors.

£200 million worth of grants will be available for organisations supporting people and communities experiencing disproportionate challenges and difficulty during the pandemic, and those that provide services and support for vulnerable people and have seen an increase in demand or have lost income. Further funding will be committed and informed by emerging priorities, as the impact of the pandemic on vulnerable groups and charities is understood.

The "Coronavirus Community Support Fund" opened last week for applications to the National Lottery Community Fund for the £750 million charity support package. A joint panel set up by DCMS and NLCF will advise on distribution of funding.

### Coronavirus Job Retention Scheme - Update

The Scheme has now been extended to the end of October 2020 but employers will be asked to contribute towards the payments made to employees, and in return employees will be able to carry out some work on behalf of the business. Further information is expected by the end of May, with the Scheme continue to operate unaffected until the end of July, with any new changes starting from 1 August 2020.

In insolvency guidance published on 30 April, HMRC apologized and confirmed that employers with tax arrears should not have been rejected for support and they should reapply. It has updated its guidance to its staff to "ensure that there's no repeat of the situation".

### Business Interruption Insurance

The Financial Conduct Authority (FCA) is urging SMEs who have experienced difficulties making claims under business interruption (BI) insurance policies during the pandemic to join its test case challenging insurers' decision making.

The regulator says a large number of claims have been made as a result of the impact of COVID-19, and highlights continuing and widespread concern about the lack of a positive response of some of those BI insurance policies, and the basis on which some insurers are making decisions in relation to claims.
Further information can be found at https://www.fca.org.uk/news/statements/business-interruption-insurance-during-coronavirus.

### The Future Fund

Innovative UK companies showing potential prior to the pandemic can now apply to the Future Fund which was announced last week with an initial £250m. Aimed at companies who would typically rely on equity investment, loans starting from £125k from investors will then be matched by the Government £1 for £1 up to a cap of £5m. The loans will be convertible in equity with a 20% share value discount in favour of the Treasury. Whist full details are not published there are other strings attached:

- converted shares stay as part of the most senior share class of the business
- the Treasury can sell on shares to institutional investors as part of a packaged Future Fund portfolio
- if the company enters another convertible loan agreement on more favourable terms than the Future Fund loan, these terms also apply to the Future Fund. If a funding round does not raise enough capital to cover the Future Fund loan, if the matched investors agree, the switch from debt to equity can still go ahead at the discount rate.

- The Treasury has also hinted the discount rate rule will apply to an IPO or when the loan term ends.

- During the loan term or period that the government owns shares in the business, the Treasury will have some governance rights, but the full details have yet to be released.

- In return, the company must treat the government fairly as lenders and/or shareholders and offer the same information rights to them as other investors and to comply any legal obligations to shareholders.

- Successful applicants and their investors will be required to enter into a non-negotiable Convertible Loan Agreement (**CLA with the Future Fund**).

- The process is investor led, applicants will already need to have an investor lined up and the fund will not 'matchmake' companies with investors. Companies will then need to pre-agree terms with the investor.

*To be eligible, businesses must:*

- be a UK incorporated private company, if part of a corporate group, only the parent company is eligible to apply
- be incorporated on or before the 31st December 2019
- have raised at least £250,000 in private investment in the last five years (from 1st April 2015 to 19th April 2020 inclusive)
- not have any of its shares or other securities listed on a regulated market, a multilateral trading facility, a recognised investment exchange and/or any other similar market, stock exchange or listing venue
- be able to secure enough private funding to match the government's investment; and
- have at least one of the following true for the company
    - half or more of their employees based in the UK; or
    - half or more of their revenues being from UK sales

*The Future Fund cannot be used to:*

- pay any dividends or other distributions
- repay any borrowings
- for a period of 12 months from the date of the CLA, make any bonus payments to staff, management, shareholders, director or consultants other than as contracted prior to the date of the agreement and as paid by the company in the ordinary course of business; or
- in relation to monies advanced by Future Fund, pay any advisory or placement fees or bonuses to any corporate finance entity or investment bank or similar service provider

Loans received under the Future Fund will be subject to a minimum interest rate of 8% per annum (non-compounding) although this can be higher if the parties agree. Under the Future Fund, the interest will not be payable monthly, but instead accrue when the loan converts.

The loan will mature after 36 months and cannot be repaid early except by agreement from the investor. It is possible for the loan to convert in certain circumstances such as on a further fundraise or an exit scenario. More information on such circumstances will be contained in the CLA.

Eligible companies will be able to apply until the end of September 2020. Applications will be processed on a first come, first served basis and funds will be received within a time frame of around 21 days. Successful applicants will a solicitor to deal with the movement of funds and the Business Bank strongly recommends that applicant companies seek appropriate accounting, taxation and legal advice before entering into the CLA. Guidance from HMRC is awaited but it isn't expected that the shares will qualify for SEIS and EIS.

### Working from Home

Employees required to work from home will have increased costs, e.g. heating and light and HMRC says it will consider claims to tax relief by employees working at home due to coronavirus measures if their usual workplace is closed without needing receipts for expenses of up to £6 per week. This is worth £1.20 per week with 20% tax relief, or £2.40 at the higher rate as a deduction from their taxable income. If the employee believes they have higher increased costs then they can claim more, but they will need evidence of the higher cost.

Alternatively, employers can pay an allowance up £6 per week free from tax, but right now with many firms struggling, take up of this is suggested to be patchy to say the least.

For most people not doing a tax return, this will simply require filling in a P87 form through an online P87 form through their Government Gateway account or by filling out a postal P87 form. These ask for the employer's name and PAYE reference (on the payslip or P60), and job title. For postal P87s, they will also need their national insurance number. The key section for filling in is titled *'Using your home as an office'*

The government is also introducing an exemption from 16 March 2020 to 5 April 2021 so that employers will not have to pay tax or national insurance contributions (NIC) on reimbursement of staff expenses for home office equipment purchased to enable them to work from home during the COVID-19 crisis.

To qualify for the exemption, the office equipment must have been purchased for the "*sole purpose of enabling the employee to work from home as a result of coronavirus*" and the provision of such equipment would have been tax exempt if it had been provided directly to the employee (so is subject to the proviso that private use is not significant). This could include computer equipment, office furniture or internet access, for example.

Under the normal procedure, employers have to account for tax and NIC on reimbursed expenses of this type via a PAYE settlement agreement.

### Payment holidays on Mortgages

When the mortgage and other payment holidays were launched, the assurance by the regulator was that it wouldn't impact credit files.

Yet there have been reports that some firms are looking at using Open Banking data or payment records to work out if the applicant had a mortgage holiday, then factoring it in to risk assessments or future applications.

### Strategies and Future Options

We've concluded that there are now potentially 4 choices for businesses that are not already surviving and prospering online:

- Borrow and continue to sit it out
- Pivot or repurpose
- Cocoon
- Liquidate

We are here to help you manage as best you can through the crisis and plan for the future. If you want to have a conversation to discuss anything in this section, please do get in touch.

*Borrowing:*

If confident that your business will recover once the lockdown is lifted, then the CBILS loan scheme is there for that purpose, remembering that the banks will expect the loans to be repaid. This of course simply means that the can has been kicked down the road, and the debt repayments will represent a further burden on your business that wasn't there before.

That said, a survey by the Business Banking Resolution Service (BBRS) suggested that around 43% of those borrowing from the Treasury's Bounce Back loan programme do not intend to repay the loans. The scheme gives cheap bank loans of up to £50,000 to the country's smallest businesses with minimal checks. It isn't clear how they intend to avoid that responsibility raising the prospect that thousands of small businesses could have to be pursued through the courts for what they owe.

*Pivoting or repurposing:*

For businesses which have been impacted but can continue to trade they have two options available:

- Continue providing the same product / service in broadly the same way to the same customers (e.g. restaurants providing take away service and schools giving classes online) or;

- Repurposing or Pivoting the business to provide a new service which is now in high demand (e.g. manufacturing businesses making PPE and leisure centres providing space for testing facilities)

We can help you navigate any changes in your business and understand what the impact may have on current and future financial performance. Given that repurposing involves a big change in the business there are likely to be many things including approvals, permissions, and supply chains to consider which we can help with.

This is also an opportunity for businesses to review their vision, strategy and how they are going to adapt to the changing business environment. Let us know if you would like to have a conversation about this.

*Cocooning:*

Cocooning, or mothballing, is the temporary suspension of a business and can be the result of sales reducing to zero (or nearly zero) with no prospect of this picking up in the short term. All cash outflows where possible are stopped or reduced and the business is left in a state which it can emerge from once the prevailing business conditions improve.

Doing this means the business owner can delay taking a decision on what to do next whilst the key government support schemes remain in place.

Businesses should consider the financial impact of cocooning versus staying open (if that is possible), options for repurposing / pivoting as well as the impact on customer and suppliers.

We can work with businesses to understand what costs can be cut and how to do it so the chances of emerging successfully post-crisis are maximised.

***Liquidation:***

For businesses who have been critically affected by Covid-19 (e.g. revenue has dropped to zero) these are categorised into two groups:

- Fundamentally sound; and
- Previously experienced periods of stress or distress

For businesses that are fundamentally sound, it is hoped that these can be cocooned or repurposed so that they can recover when conditions improve.

They can take advantage of Government supports such as CBILS, CJRS, VAT and other tax deferment and business rates support as well as rent reductions and other cost cutting exercises.

Businesses who have been critically affected and who have previously experienced periods of stress or distress are less likely to get CBILS support. They may still benefit from other government support such as CJRS and BBLS which will keep them going in the short term but are then more likely to go into liquidation than emerge successfully after lock down.

These businesses should seek expert advice now as there may still be options available to the business owners.

*Planning for the future*

What is the "New Normal?" is the most important question, but no one can predict the length of the crisis and what the outcomes will be post lock down. What is certain is that the best way to predict your future is to create it!

We cannot guarantee how things will work out, but we do know taking some time now to think about the future may lead to new opportunities and help focus your actions. Talk to us if you want to create your future – our success depends on yours.

## Statutory Sick Pay

The calculator to claim back SSP due to Coronavirus is now live on the Government website.

See: https://www.gov.uk/calculate-statutory-sick-pay

Employers are eligible if they have a PAYE payroll scheme that was created and started before 28 February 2020 and they had fewer than 250 employees before the same date. The repayment will cover up to two weeks of SSP and is payable if an employee is unable to work because they:

- have coronavirus; or
- are self-isolating and unable to work from home; or
- are shielding because they've been advised that they're at high risk of severe illness from coronavirus.

For further information, see the HMRC press release Coronavirus Statutory Sick Pay Rebate Scheme set to launch.

Employer guidance on SSP procedures during coronavirus (COVID-19) can also be found at https://www.gov.uk/guidance/claim-back-statutory-sick-pay-paid-to-employees-due-to-coronavirus-covid-19

### Self-employment Income Support Scheme (SEISS)

This now includes an eligibility checker. HMRC has also started to contact eligible taxpayers.

Self-employed individuals or a member of a partnership (as long as certain criteria are met, see below). Limited companies and trusts are not entitled to claim.

80% of trading profits up to a maximum of £2,500 a month can be claimed for three months (March to May), but it may be extended.

The application portal has opened, and grants be paid within six working days of making the claim.

Claims have to made by the taxpayer themselves and cannot be made by agents. HMRC does all the calculations needed for the claim, using the information in the submitted tax returns. The taxpayer does not have to provide any figures.

The grant is subject to income tax and self-employment national insurance contributions. HMRC's policy intent (subject to legislation being enacted) is that the grant is taxable when received and there is no requirement to allocate the grant to the months to which it nominally relates (March to May). HMRC does not expect any element of the grant to be reported on 2019/20 self-assessment tax returns.

Claims can be made by self-employed individuals or members of a partnership where the taxpayer:

- has submitted their self-assessment tax return for the tax year 2018/19 by 23 April;
- traded in the tax year 2019/20;
- intends to continue to trade in the tax year 2020/21;
- carries on a trade which has been adversely affected by coronavirus.

HMRC guidance on the meaning of 'adversely affected' includes being unable to work because the taxpayer is shielding, self-isolating or is on sick leave or has care responsibilities because of coronavirus. It also includes scaling down or temporarily stopping trading because the supply chain has been interrupted, the business has fewer or no customers or staff are unable to work.

The lack of any mention of specific, measurable reductions in income is intentional. The taxpayer should keep evidence of the impact on their trade, but there is no link between the amount of the grant and the financial loss.

The scheme specifically allows a claim where the trade has continued, so long as the trade is '*adversely affected*'. During the application process, the taxpayer is asked to confirm that they meet the eligibility criteria, but the importance of the questions may be missed by some and others may worry about them unnecessarily.

The taxpayer's trading profits must also be no more than £50,000 and more than half of their total income for either:

- the tax year 2018/19; or
- the average of the tax years 2016/17, 2017/18, and 2018/19.

The amount of the grant is based on the average trading profits for the relevant years.

However, HMRC will not necessarily know whether the taxpayer meets all the conditions of the scheme and the result is subject to meeting the eligibility criteria mentioned above.

### Audit & Finance Committees

Directors and senior managers need an enhanced level of scepticism, challenge and reality, placing financial oversight needs within a new post COVID-19 paradigm of enhanced risk and changing normality. Charity trustees may need to step up the support and oversight of the charities for which they are responsible, to ensure the executives are coping with these unprecedented challenges and times.

Committees still need to be meeting even if electronically (take a look at the recent ICSA Guide to virtual meetings). Frequency may increase given the speed of change and scale of challenge facing a stressed management team.

As the inner sanctum, the audit/finance committee should be the place where the best and the worst of an organisation can be discussed, debated and challenged in a non-vituperative, non-personal manner, ensuring appropriate skeptical challenge is applied but without any hint of blame, and with a sympathetic and supportive attitude.

The FRC 2018 Guidance on Board Effectiveness poses five audit committee questions:

- Are you satisfied that the company has adequate internal controls over risk?
- Is sufficient time allocated on the board agenda to enable a full discussion of the work of the audit committee?
- How has the board assessed whether the audit committee has a balance of skills and competencies necessary to fulfil its remit?
- How is the audit committee managing and monitoring the non-audit work the company's auditors deliver across the group?
- Are there clear procedures and triggers in place to elevate risks to the board quickly?

Covid-19 requires other questions against the key governance criteria – strategy, risk, control.

Viability is perhaps the last, and the management accounts and other information will need regular review, to check surpluses are being maintained, budgets being achieved, and adequate working capital.

*Strategy:*

- What disruption has been caused by COVID-19?
- Do the strategic corporate objectives need redefining and processes need re-engineering?
- Does the vision and purpose need review?
- Will there be a changed environmental expectation by our stakeholders?
- What was the cultural impact of COVID-19 on the business?

*Risk:*

- What risk lessons have been learned from the crisis?
- What new risks have been identified?
- Did the risk register prove useful but if not, why not
- Does the risk appetite, with its aligned risk tolerance, need consideration and redefinition?
- Does the audit committee have a clear remit about risk?

*Control:*

- How quickly is information communicated internally and externally within the organisation – by whom and to whom?
- If there is no internal audit function, who is watching for areas of concern, and ensuring these are at least seen by the audit committee?
- Is there an appropriate delegation of responsibilities within the organisation? Did individuals know what is expected from them? Was this evidenced during the COVID-19 crisis?

There is, of course, one over-riding question for all with governance responsibility to consider.

As we move through the COVID-19 crisis and emerge out the other side, do we actually want things to simply return to normal, as they were before, or is this an evolutionary opportunity to consider and implement different principles, different ways of working, and a different corporate culture?

## Tax Credits

The government has confirmed that those who cannot work their normal hours because of Covid-19 will still receive their usual tax credits payments. Those working reduced hours due to coronavirus or those being furloughed by their employer will not have their tax credits payments affected if they are still employed or self-employed.  Claimants do not need to contact HMRC about this.

HMRC will use the information they hold about the number of hours claimants normally work. They can still report any other changes in income, childcare and hours in the normal way. However, they must tell HMRC if they or their partner lose their job, are made redundant or cease trading.

Claimants can continue to claim Working Tax Credit and be treated as though they are working their normal hours but should check GOV.UK to see if additional or alternative support is available based on their personal and financial circumstances.

https://www.gov.uk/government/news/tax-credits-customers-will-continue-to-receive-payments-even-if-working-fewer-hours-due-to-covid-19?utm_source=dd8ce048-7219-4179-95bd-20cf3ae5dbce&utm_medium=email&utm_campaign=govuk-notifications&utm_content=immediate

### Emergency loan for British nationals abroad for living costs

If living abroad but can't afford your travel costs, as a last resort, you may apply for an emergency loan from the government if you meet all these conditions:

- you are a British national
- you usually live in the UK
- you have exhausted all other options for getting funds to return home

Only basic costs can be included in a loan, usually the cheapest one-way ticket to the UK. If you are travelling with dependants, such as a spouse, partner or child who are not British nationals, your loan may also cover their tickets. These foreign nationals must usually live in the UK and should have already sought assistance from their own embassy.

If you are eligible, you will have to sign an Undertaking to Repay in which you agree to repay the loan within 6 months. You will not be able to apply to renew your passport until you have repaid your loan in full. If you have not repaid your loan or set up a repayment plan with the FCO within 6 months, Her Majesty's Passport Office may cancel your passport. Your details may be passed to a debt recovery agency.

See: https://www.gov.uk/government/publications/financial-assistance-abroad/financial-assistance-abroad#if-you-need-financial-help-abroad

## BWM

## 27 May 2020