BWM
CHARTERED ACCOUNTANTS

COVID – 19 Update 16

BWM COVID-19 Update 16

Index

BWM COVID-19 Update 16

Introduction

So here we are, Update 16, it's enough to drive any reasonable person down to Aldi for a bottle of gin.

For the more desperate, the alternative is to buy gin making kits off the internet (£10 & up) to make up to 8 bottles of your own designer gins. Just need bottles of cheap vodka, a week's patience, and the tonic of your choice. Please note that this does not constitute investment advice and all readers should drink responsibly.

It's still boring but to reiterate, 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 to be helpful.

This update does not then and never can represent definitive advice and should not then be relied on instead of taking proper, full advice informed as to your particular facts. Separate guidance and rules may apply in Wales and Scotland.

The economic views on the outcome of this crisis continue to vary from week to week, there really must be a joke in this, where's Ken Dodd when you need him, a financial observer of true merit and insight.

15 June increasingly looks like a pivotal turning point with some firms are planning a partial reopening of their offices by 15 June to coincide with shops reopening. Some have already done so whilst others are now taking the view that working from home has been so effective, and the risks around returning to work so unclear, that some plans to reopen have been put back to September; yet others don't even anticipate a return to normal working till the New Year.

For those that are reopening, preference is being given to those staff that are struggling to work effectively in their home environments for whatever reason. But the obvious key is that all these plans can be revisited as circumstances permit, and government guidance becomes clearer.

A report from Oxford Economics commissioned by the ICAEW (which may help explain why our membership fees are so high) suggested:

- A strong recovery following the coronavirus pandemic is likely, with the economic impact of the crisis potentially set to be sharp but short.
- GDP has declined due to a planned, partial shutdown of the economy, activity and demand should in theory rebound as the economy reopens, with fiscal and monetary support rolled out by the Government and the Bank of England amid the pandemic helping drive an upturn.
- The study forecasts that further easing of lockdown measures in the coming months could deliver economic growth in the second half of the year.
- The deficit is likely to hit £290bn in 2020 – around 14% of GDP. On issues that could hinder an economic recovery, Oxford Economics points to an extended lockdown, a second wave of COVID-19 infections, Government support being withdrawn too early and a collapse of trade talks between the UK and EU.
- Britain's national debt seems likely to hit £2trn (that's just LOTS of zeros) next month, pushing national debt beyond 100% of national income for the first time since the end of the 2nd World War.

The Chancellor Rishi Sunak is reported to be considering NiC holidays for companies as part of an economic recovery stimulus package set to be unveiled next month.
Perhaps inevitably tax increases including income tax and VAT are under discussion in the Treasury but delayed until growth recovers. Getting the unemployed back into work will also be targeted with tax incentives or direct subsidies for employers who hire new staff.

The long term implications of all this for commercial and office requirements going forwards continues to remain unclear, but it really does seem that some form of home working will now be enshrined in future business models and plans, and those that are still using desktop software rather than cloud products really do need to reconsider their options. We have staff dedicated to advising, implementing, and training on cloud accounting, please do get in touch.

But it's also clear that office-based businesses are rethinking their space requirements; rents are often the largest cost component after salaries.

We have emphasised in previous updates the need for cash flow planning and budgeting to help get through this crisis in reasonable financial shape, and these will need revisiting in the light of the changes outlined below. If we can help, again please ring us, that is what we're here for. Don't forget to optimise claims for R&D, embedded capital allowances and maximise use of the various tax reliefs.

Covid-19 Job Retention Scheme (CJRS)

More details have been released about the 3 changes to CJRS reported in our Update 15. To refresh briefly, the changes were:

• From 1 July 2020, employers will be able to bring back previously furloughed back part time and still receive a grant for the time when they are not working.
• Employers will have to start contributing to the wage costs of furloughed staff from 1st August, increasing in September and October. This may be the trigger for redundancies.
• The scheme will close to new entrants from 30 June so the final date to furlough an employee for the first time will be 10 June

Employers will have until 31 July to make any claims in respect of the period to 30 June.

Further guidance on how to calculate claims under the revised rules will be available by 12 June.

Part time furloughing:

Employers will decide the hours and shift patterns their employees will work on their return and will of course be responsible for paying their wages in full while working. So, employees can work as much or as little as the business needs, with no minimum time that they can furlough staff for. This enhances flexibility hugely and is a positive step.

This will complicate the claims and accurate hourly records are going to be needed.

Any working hours arrangement agreed between a business and their employee must cover at least one week, confirmed to the employee in writing.

Employers claiming the CJRS grant will need to report and claim for a minimum period of a week, but they can claim for longer periods, fortnightly or monthly for example. This will depend on the need for cash flow against admin time and cost of preparing more frequent claims. Employers will be required to submit data on the usual hours an employee would be expected to work in a claim period and actual hours worked.

Employer contributions:

The government grant for CJRS is going to be slowly tapered off from August: provided through the job retention scheme will be slowly tapered.

• Till then, the government will continue to pay 80% of wages up to the £2,500 cap plus the employer NIC and pension contributions for the hours the employee doesn't work. The employers will be paying employees for the hours they work as normal of course.

• The government will still pay 80% up to the cap of £2,500 but the employers will have to pay ER NICs and pension contributions from August.

• From September, the government will pay 70% of wages up to a cap of £2,187.50 for the furloughed hours and the employer will pay the 10% of the wages back up to the £2.5k cap, the ER NICs, and pension contributions.

• From October, the government will pay 60% of wages up to £1,875 for the hours the employee does not work; the employers will pay the other 20%, the ER NICs, and pension contributions

• The cap on the furlough grant will be proportional to the hours not worked

Charities: Serious Incident Reports: Covid-19

The Charity Commission issued further guidance for trustees on 3rd June on what may need to be reported as a serious incident during the pandemic, reflecting the unprecedented challenges and scenarios that charities are inevitably facing. The Commission depends on timely reporting to help them provide advice and guidance and gain a better understanding of the risks facing the sector.

A supplementary examples table has therefore been produced to help trustees to decide if they need to report an incident that is related to the pandemic. Trustees should still exercise their judgement in deciding whether an incident is significant in the context of their charity, taking account of its staff, operations, finances and/or reputation.

https://www.gov.uk/guidance/reporting-serious-incidents-to-the-charity-commission-during-the-coronavirus-pandemic?utm_source=904d43fe-7654-4184-9792-188547e0afe6&utm_medium=email&utm_campaign=govuk-notifications&utm_content=daily

The key object of any charity remains helping and protecting its beneficiaries and achieving its objects so some key point for trustees to consider are:

- taking action to meet government rules, such as closing premises, may not be a significant incident but it's the impact of this action on the charity that is key to determining if this should be reported
- the Commission usually expects charities to report any financial losses that do not involve a crime where they exceed either £25,000 or 20% of the charity's income. However, these thresholds do not apply when considering financial losses that are related to the pandemic. Trustees should focus on the significance of the impact of any losses rather than the amount

- trustees may still delegate to others, such as staff members, the responsibility for deciding which incidents should be reported to us. However, such decisions should be reported back to the trustees, who remain ultimately responsible for them
- use the online form to submit reports, which should be submitted as soon as is reasonably possible after the incident or when the charity becomes aware that a significant harm or loss is highly likely. It's critical to how the Charity Commission responds to that report to use the form to tell them about what you're doing about the incident
- where trustees consider reporting an incident but decide not to report it, they should keep a brief record of their decision and the reasons for it

When deciding how to respond to reports, the Charity Commission prioritises those reports that indicate individuals are at risk, or that there is a risk of serious harm to a charity's work. They also prioritise reports where they identify that trustees require advice and guidance from the Commission to help deal with an incident. It is clear that the trustees have a robust and effective plan in hand to address the incident, and are able to do so from their existing resources, the Commission is more likely to take the view that the trustees are able to deliver robust and firm action, and so simply ask for update reports on progress.

Employment Allowance

The Employment Allowance (EA) has reduced the employer NiC cost for many businesses and charities since 2014/15, but this has changed now from April 2020 so:

- Employers will only be entitled to claim EA if their employer NICs was less than £100k in the previous tax year
- It must be claimed each tax year and has increased to £4,000
- The £4,000 EA must remain within the state aid limits.
- To claim through your payroll software, you simply need to tick 'yes' in the 'Employment Allowance indicator' field the next time you send an Employment Payment Summary (EPS) to HMRC.
- If your payroll software does not have an EPS field, HMRC's Basic PAYE Tools allow this instead.
- If you make or sell goods or services, even if you do not make a profit, select all the de minimis state aid business sectors that apply to you. Otherwise choose 'state aid rules do not apply'.