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From: Armstrong & Co

Subject: COVID-19 update 28 Mar 2020

Greetings!

Re:

I am sending this email to all clients. For many of you, much of it will not apply, but a non-targeted email is the quickest way to get this out to those who can benefit from it. If you know of anyone who you think may be helped by reading it, please feel free to forward it to them.

This update addresses some two of the most important areas of government assistance:

Self-employment and employment.

I also add a final section on director/owners of limited companies. I'm afraid this group of people have dropped through the net and are getting very little personal help.

Hopefully, pressure is being applied to the right places and something will be done, but don't reply on it. If you want to add to that pressure, you could email, write or phone your MP to argue the case of small limited company businesses. Every little bit helps.

The full rules are not out yet and I'm sure there will be tweeks and adjustments along the way, but this is the state of play at midnight on 27 March 2020.

If you have any specific queries, please email me at armcoat4a@yahoo.co.uk and I will do my best to respond as soon as possible.

I also strongly recommend that you follow the link below to the MoneySavingExpert website, which has a dedicated section relating to help and guidance relating to the COVID-19, is updated daily and as well as business advice, covers more general help topics, particularly on State Benefits, which are beyond my expertise.

<https://www.moneysavingexpert.com/latesttip/>

I also provide a link below to the YouTube account of Martin Lewis of MoneySavingExpert and recommend that you subscribe to it. It's sometimes easier to follow a video than dense text.

<https://www.youtube.com/watch?v=1avPs2nciAY&t=6s>

Help for the self-employed

The Government have announced their help for the self-employed. For those who are eligible, it is reasonably generous and automatic - you don't have to apply or claim it.

HMRC will pay it to you at the beginning of June (earlier if possible) with a payment directly into your bank account. If they don't know your bank details, they will contact you in due course. If you believe you are eligible and have not been notified by early June, you should contact HMRC. We can help you with this if required.

If you are suffering hardship now or expect to soon, you should consider applying for

Universal Credit or a Business Continuity Loan (details in a previous email).

If you qualify for self-employment help, you will be given a cash grant of 80% of your eligible profits, up to a maximum of £2,500 a month.

It is not dependent on you ceasing to trade, you can and should keep trading wherever possible.

Although it relates to the 3 months of March, April and May 2020, it will be paid as a single amount at the beginning of June and if you qualify for the maximum you will receive a cash payment of £7,500 paid directly to your bank account. To get the maximum, your profits would have to exceed £37,500 but not exceed £50,000 (see below).

The grant is initially for 3 months but depending on the COVID-19 situation, may be extended.

The payment is **taxable** and will form part of your taxable income in the year it is received.

To be eligible:

- You must be self-employed or be a member of a trading partnership.
- You must have suffered a reduction in profits due to the effects of COVID-19. *(Given that this grant is based on previous years profits, I can't see how or if this will be applied in practice).*
- You must have filed a tax return for 2018/19.
- If you haven't filed it yet, you will be given 4 weeks from 26 March to do so.
- You must have actively traded in 2018/19, be currently trading and intending to continue to trade in 2020/21.
- You will still be eligible if you are no longer trading in 2020/21 if the cause of cessation was COVID-19.
- Your average trading profits for the three years from 2016/17 to 2018/19 must be less than £50,000.
- If you have not traded for three years, you take the average of the years you have traded, but at least one of those years must be 2018/19.
- Your self-employment income must represent more than 50% of your total income.

Help for employers and employees

We now have more information for employers about the help being provided if you do not lay-off employees who are no longer working for you - so-called "furloughed" employees. The scheme is called the Coronavirus Job Retention Scheme (CJRS).

This scheme is only available to employers, it is not claimed by or paid to employees, but it is intended to help employees.

It will initially be available for 3 months beginning from 1 March 2020. However, actual claims and payments are unlikely to be possible until the end of April 2020. So, initially employers will have to bear the cost, but will be able to claim repayments once the scheme is open.

The scheme applies where you have or are intending to, lay-off workers or make them redundant due to COVID-19. If you keep them on as furloughed workers, the government will pay you 80% of your employees usual monthly earnings (see below), as long as you pay at least this amount, subject to a maximum payment of £2,500 a month for each employee. Any associated employers national insurance and employers minimum auto enrolment pension contributions will also be covered up to £300 a month.

So, for example only, if an employee's usual monthly earnings are £2,000, you can get a grant of £1,600, as long as you actually pay £1,600 or more. You do not have to pay more than the £1,600. What you do pay will be determined between you and your employee, but the grant will not exceed the lower of:

- Actual pay
- 80% of the "usual monthly average", and
- £2,500

Usual monthly earnings will be calculated as follows:

If the employee is salaried, whether full-time or part-time, their usual monthly earnings will be based on their annual salary as of 28 February 2020.

If the employee's pay varies, for example zero-hour contract workers, etc., their usual monthly earnings will depend on how long they have been employed.

If the employee has been employed for a full year, their usual monthly earnings will be the **higher** of:

- The amount earned in the same month last year, and
- The average of their monthly earnings for the last year.

If the employee has been employed for less than one year, their usual monthly earnings will be:

- The average monthly earnings since the employee started.

Earnings included in the above calculations do not include bonuses, commissions or fees.

To be eligible:

- The employer must have had a payroll scheme that was in operation on or before 28 February 2020.
- It is open to all employers, commercial or otherwise.
- The employer must have a UK bank account.
- The employee must have been on the employer's PAYE payroll on 28 February 2020.
- The employee must be formally furloughed and notified of this in writing.
- Each furloughed period must be for at least 3 weeks but can be extended for further periods of 3 weeks at a time.
- Once furloughed an employee cannot undertake any work for the employer.
- Employees that were made redundant after 28 February can be re-employed and placed on furlough instead and will be eligible.
- All payments must be processed through the PAYE payroll scheme.

Director/Shareholders

Firstly, it should be understood that if you are a director of your own company, you are NOT self-employed, you are an employee of that company. Nor is the company a self-employed business. Self-employment means you do not operate through a limited company. The self-employment assistance is not available to you or your company.

There has been concern as to whether payments to directors of small owner/managed limited companies would be eligible for the Coronavirus Job Retention Scheme (CJRS).

I do expect that this scheme will apply to directors and that assistance will be available on the same basis as available to any other eligible employee with their pay being calculated according to the guidance for ordinary employees.

This is of limited value for the following reasons.

The rules of the CJRS require that the employee, in this case the director, does not undertake any work for the company or generate any income for the company. In the case of small limited companies with one director/employee, the rules would seem to require that the company effectively stops trading.

This is the complete opposite of the self-employed grant scheme. To be equitable the CJRS should permit these small owner/managed businesses to continue to trade just as the self-employed are encouraged to do. My understanding, subject to the publication of the detailed guidance, is that this is not the case.

Although the company may have to stop trading if the sole director/employee cannot work, as a director you can still undertake your (unpaid) duties as a director regarding statutory matters, etc. The company doesn't have to close, it can just become dormant for a while.

Typically, a director/shareholder will be paid a small monthly salary with the rest of their income extracted by dividends. Unfortunately, this scheme does NOT apply to dividends, it only applies to the monthly salaries paid and only where this has been processed through a PAYE scheme, as is usually the case.

The detailed rules and guidance (small print) have not yet been published and the above points are based on my interpretation of what has been published based on first principles and current law. However, given HMRC's antipathy towards small owner/managed limited companies and the Chancellor's pointed remarks when he announced the self-employment grant scheme, I am not expected any further help for small limited companies to be forthcoming.

If you've got this far, **thank you**. Now you need to try and apply the above to your particular circumstances.

For businesses with employees who are considering or have already laid off some staff, the CJRS provides valuable incentives to keep them on and get reimbursed by the government.

If you have tax payment problems, depending on the tax, you can either automatically defer payment or apply to HMRC for time to pay.

However, if you are the director/owner of a small limited company business, there is little direct monetary assistance available for maintaining your income.

Remember to email me at armcoat4a@yahoo.co.uk if you have any specific questions.

Best wishes

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