Enews - May 2020 for clients of

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In this month's Enews, we report on the progress of the government's schemes to help businesses and the self-employed during the COVID-19 pandemic. Bounce Back loans for small businesses were the latest in a raft of measures announced by Chancellor Rishi Sunak, which are starting to make a practical difference to businesses. We look at the latest guidance and also analyse the impact of COVID-19 on tax policy and the wider economy. As the COVID-19 lockdown continues to dominate the economy, there are lots of issues to update you on.

Article Index

While the lockdown appears to be loosening its grip, there have been some benefits that most of us will have enjoyed.

Who can remember such a sunny April?

Who hasn’t enjoyed spending more time at home with our families?

Half the population seem to have caught up with gardening and decorating while the rest of us have been as busy as ever and have found working at home enjoyable.

It has also brought about the neighbourliness that previous generations spoke about.

We also appreciate the vital work performed by the medical profession and mourn the loss of those that have died at this time.

While accountants don't claim to be vital workers, if we deal with your payroll needs or help with COVID 19 support, perhaps you think we are.

Government launches small business micro loan scheme

On 4 May 2020 the government launched a micro loan scheme for small businesses as it continues to try and mitigate the economic damage caused by the coronavirus (COVID-19) lockdown.

The Bounce Back Loan Scheme allows small businesses adversely affected by COVID-19 to apply for up to £50,000, with the government guaranteeing 100% of the advance.

Businesses can apply for a minimum of £2,000, up to a maximum of £50,000 with the government paying the interest for the first 12 months.

Businesses will be able to access the loans through the existing network of accredited lenders and the government said it expects most applications to be approved within 24 hours.

Chancellor of the Exchequer, Rishi Sunak, said:

'I know that some small businesses are still struggling to access credit.

'They are, in many ways, the most exposed businesses to the impact of the coronavirus, and often find it harder to access credit in the first place.

'If we want to benefit from their dynamism and entrepreneurial spirit as we recover our economy, they will need extra support to get through the crisis.

'Some businesses will not want to take on more debt, which is why our focus has been on cash grants, tax cuts and tax deferrals. But for others, loans will be part of the answer.'

Internet link: GOV.UK publications

Lenders relax evidence requirements for business interruption loan scheme applications

On 27 April 2020 the UK's seven largest small business lenders announced they had relaxed their evidence requirements for applications to the Coronavirus Business Interruption Loan Scheme (CBILS).

The lenders will use their own information when processing and approving applications, rather than relying on businesses providing forecasts and business plans.

In a joint statement, the seven lenders and trade association UK Finance stated:

'The reforms to CBILS announced by the British Business Bank and HM Treasury with the support of the regulators provide welcome changes that should enable banks to provide finance to businesses more quickly alongside other forms of support including capital repayment holidays.

'Lenders are working hard to ensure we provide support swiftly and responsibly and we will continue to work closely with customers to help them identify the finance that is right for their business and financial circumstances.

'Following the changes to the scheme announced today lenders will only ask businesses for information and data they might reasonably be able to provide at speed and we will not require the provision of forward-looking financial information or business plans from businesses applying for CBILS-backed lending, relying instead on our own information to assess credit and business viability.'

Internet link: UK Finance press release

Job Retention Scheme goes live

On 20 April 2020 the government's Coronavirus Job Retention Scheme went live for applications.

The scheme allows businesses to furlough their employees, with the government paying 80% of their wages up to a maximum of £2,500.

The Coronavirus Job Retention Scheme is open for four months and was backdated from 1 March 2020 to the end of June. Chancellor Rishi Sunak stated that the scheme would be kept under review and extended if necessary.

There were applications from over 430,000 employers covering over three million employees in the first week of the scheme's operation.

The Chancellor said:

'We've taken unprecedented action to support jobs and businesses through this period of uncertainty, including the UK-wide Job Retention Scheme. With the extension of the coronavirus lockdown measures... it is the right decision to extend the furlough scheme for a month to the end of June to provide clarity.

'It is vital for people's livelihoods that the UK economy gets up and running again when it is safe to do so.'

Internet link: GOV.UK publications

HMRC releases guidance for self-employed scheme

HMRC has released guidance on the COVID-19 Self-employment Income Support Scheme.

Under the scheme, self-employed individuals will be able to claim a taxable grant based on an average of their earnings over the past three years. To be eligible, workers must have filed all relevant income tax self assessment returns; have traded in the 2018/19 and 2019/20 tax years, and intend to carry on trading in the 2020/21 tax year. Profits, based on an average of the last three years, must be no more than £50,000, and at least equal to any non-trading income, such as employment income, dividends or rental income.

Directors of their own companies who are paid through Pay as You Earn (PAYE) may be able to get support via the Coronavirus Job Retention Scheme.

HMRC began to contact those eligible in early May and invited them to apply online. Payments are scheduled to start later in May and run for three months, but may be extended if necessary.

Internet link: GOV.UK publications

Government launches support finding tool for business

The UK government launched an online platform to help businesses access financial support during the COVID-19 crisis.

The Coronavirus Business Support Finder Tool will guide businesses through the range of loans, tax reliefs and cash grants to combat the adverse economic effects of the COVID-19 lockdown.

The tool asks business owners to fill out a short online questionnaire. It then directs them to a list of financial support for which they may be eligible.

The tool takes the user through various questions about their business, including location, number of employees and turnover.

Chancellor Rishi Sunak said:

'We've launched an unprecedented package of support to protect jobs, businesses and incomes during these challenging times. Millions are already benefiting and this new online tool will allow firms and individuals to identify what help they are entitled to in a matter of minutes.'

Internet link: GOV.UK publications

OBR predicts UK economy will shrink by over a third

The Office for Budget Responsibility (OBR) has warned that the UK economy could shrink by 35% this quarter due to the COVID-19 crisis.

The OBR said that the outcome was modelled on an assumption that the current lockdown would last for three months. It stated that a three-month lockdown followed by three months of partial restrictions would trigger an economic decline of 35.1% in the quarter to June alone.

The lockdown would push up the UK's borrowing bill to an estimated £273 billion this financial year, or 14% of Gross Domestic Product (GDP).

However, the OBR said extra spending by the Treasury to support the economy was crucial to limit economic damage.

The OBR's estimate followed a global economic forecast published by the International Monetary Fund (IMF), which predicted a 3% contraction in global growth.

Rain Newton-Smith, Chief Economist at the Confederation of British Industry (CBI), said:

'This makes for bleak reading and stresses the need for the right policies to support our economy through this crisis. The need for co-ordinated global action to rebuild confidence has rarely been greater.

'The government will also need to work with businesses and many parts of civil society here at home to create a plan to revive the economy once the lockdown is lifted.'

Internet link: OBR press release

Government borrowing could rise to £300 billion

The Centre for Policy Studies (CPS) has suggested that government borrowing may rise to £300 billion in 2020 as a result of the COVID-19 pandemic.

The think tank has been working to estimate the cost of the COVID-19 crisis to the government's finances, and has incorporated official data from the Office for Budget Responsibility (OBR).

The CPS's COVID-19 counter has put forward an estimated £127 billion in direct bailout costs and £119 million in indirect costs, such as lower tax revenue. The data is based on the OBR's three-month lockdown scenario, followed by three months of 'looser restrictions'.

The CPS stated that, when these estimated costs are added to the £55 billion of borrowing already forecast for 2020, a deficit of £301 billion is produced. This represents 15% of GDP.

Robert Colvile, Director of the CPS, said:

'The government has acted throughout this crisis to save lives and protect livelihoods. But while it is clear to everyone that extraordinary times require extraordinary measures, they also incur extraordinary costs.

'It is vital to get the most accurate possible picture of the burden the government is taking on in order to assess the full scale of the rebuilding that lies ahead.'

Internet link: CPS press release

HMRC extends late reporting deadline for CGT

HMRC has confirmed it will not charge penalties for the late reporting of capital gains tax (CGT) on disposals of UK residential property by UK residents made by 31 July 2020.

On 6 April changes were made so that if a UK resident sells a residential property in the UK, they now have 30 days to tell HMRC and pay any money owed.

The seller must submit a standalone tax return covering the CGT, which can no longer be included as part of a self assessment return.

Failure to tell HMRC about any CGT within 30 days of completion may incur a penalty, as well as interest on the sum owed.

HMRC stated:

'To help those selling properties familiarise themselves with the change in the rules and a new online process, HMRC is allowing a period of time to adjust and will not issue late filing penalties for CGT payment on account returns received late up to and including 31 July 2020.

'For UK residents, this means transactions completed between 6 April and 30 June 2020 and reported up to 31 July 2020. Transactions completed from 1 July 2020 onwards will receive a late filing penalty if they are not reported within 30 calendar days.

'Interest will accrue if the tax remains unpaid after 30 days.'

Internet link: HMRC guidance

During the Corona virus our staff are working from home and any telephone calls or emails will be passed on to them. The office post box will also be checked daily for incoming mail.

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