

CORONAVIRUS NEWS UPDATE- 3

Wherever possible employees should be working from home and NOT travelling to work.

Where there is work to be done which CANNOT be done from home AND employees can get to work safely AND maintain all the social distancing rules in a safe and clean working environment, they are currently permitted to go to work.

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Prepared by – Team LCS

Source- HMRC and Other Related Articles

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The chancellor is extending the coronavirus loan scheme for small and medium businesses who have been affected by the disease.

The government's **Covid Business Interruption Loan**, a funding package, was originally created for firms who were unable to secure regular commercial financing during the economic downturn of the virus.

But now Rishi Sunak has extended CBILS to all viable small and medium business that has faced financial difficulty during the **COVID-19** pandemic.

The government is also stopping lenders from requesting personal guarantees for loans under £250,000 and making operational changes to speed up lending approvals.

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Responding to criticism of how the big banks were applying the scheme, Chancellor Rishi Sunak announced the following amendments on 03 April 2020:

1. CBILS will match the commercial rate of interest to reflect the current low Bank of England interest rates
2. Coronavirus businesses interruption loan is no longer a last resort, but can now be sought before other commercial sources of finance
3. Lenders are now banned from demanding personal guarantees for loans under £250,000
4. The government is amending the operation of the loan to speed up approvals for the scheme
5. A new coronavirus large business interruption loan scheme (CLBILS) would offer up to £5m for large firms (£45m-£500m) not currently eligible for support loans
6. The government will still be responsible for the loan's first year of interest and fees.

The Chancellor is expected to speak with bank chief executives this week to review the scheme and 'ensure everybody is playing their part'.

Coronavirus Large Business Interruption Loan Scheme

This morning's announcement revealed that the Bank of England has promised to add another £1.6m in support to large firms on top of the nearly £1.9bn already provided.

Large businesses of between £45m and £500m turnover will be considered for loans of up to £25m which will also be covered by an 80% government guarantee. CLBILS will also be offered at commercial rates of interest with further details to be announced by the government later this month.

For loans over £250,000, personal guarantees will be limited to just 20% of any amount outstanding on the CBILS lending after any other recoveries from business assets. Lenders were already prohibited from asking business owners to put their house on the line, but in response to numerous reports that this had not been followed, the Chancellor clarified that borrowers would not have to put their houses on the block as part of their personal guarantees.

Fintechs ready to help

The Chancellor's guidance added that number of official CBILS lenders will be extended to help speed up supply of the loans.

Digital banks such as Tide and Starling are not yet included in the British Business Bank's list of approved providers and have pointing out that the government is still not doing enough to make sure crucial financial support is reaching businesses where it is needed most.

FAQ's on the Coronavirus Job Retention Scheme

- **Which employees can be furloughed?**

Government guidance states that in order to be able to retain an employee they must have been employed by the business before the 28 February 2020.

- **Is the furlough payment 80% / £2500 inclusive of employer costs?**

No. HMRC will pay employers a grant worth 80% of an employee's usual wage costs, up to £2,500 a month, **plus** the associated Employer National Insurance contributions and minimum automatic enrolment employer pension contributions on that subsidised wage.

- **Is the 80% salary normal pay only or does it include any additional earnings such as overtime and bonus?**

The guidance refers to salary and this is generally defined as standard contracted values, not irregular additional income such as overtime or bonus.

- **What period will the Job Retention Scheme pay back Furlough payments for?**

The government has said that the scheme will be backdated to cover payments from 1st March 2020 and will run until 31st May 2020. This is subject to review.

- **Is my employee able to do any work duties whilst they are furloughed?**

No. For an employee to be classed as furloughed, and to be eligible for the grant, they must not carry out any work at all.

- **Who pays the PAYE and national insurance on furloughed payments?**

As this is normal income the PAYE, employee's NIC and employer's NIC liability will continue as for any other payments. The values will be included in the full payment submission (FPS).

- **Can I make up the salary for my employees to full pay under furlough?**

Yes. This should be paid as a separate payment line for identification and reporting and is subject to PAYE and national insurance. You can only reclaim on the 80% or maximum cap allowed under the Job Retention Scheme.

- **Can employed directors receive furlough payments?**

Yes. Company directors can be furloughed if they had a PAYE salary to calculate payments against, dividends aren't part of the Job Retention Scheme. This includes single director companies. Only company directors can continue to undertake their statutory duties while furloughed, such as filling out company accounts etc. This does not constitute revenue generating work.

- **Can you take people in and out of furlough as needed?**

Employees may come back out of furlough if the business now has work for them, this should only happen at the end of the agreed furlough period.

- **Does the business have to stop trading to be able to get furlough repayment?**

No. The ideas are for businesses that are still operating but would have to lay off some employees as the workload is reduced due to COVID-19.

On Saturday 4th April, the Government released an update to the Coronavirus Job Retention Scheme.

There are both clarifications and new guidance available.

Here are some of the highlights for you:

- If your contract allows employees to work for others while employed by you, they CAN work for work someone else while furloughed.
- Commission can be included in the calculation for pay - using variable pay formula
- Overtime can be used to calculation for pay - using variable pay formula
- The 80% does not include non-monetary benefits e.g. car or health insurance, presumably as the employee continues to receive these.
- Company Directors and office holders can be furloughed, but this must be adopted formally as a resolution of the Company. Once furloughed, the Director / Office holder may ONLY carry out STATUTORY duties.
- Employees can be furloughed multiple times as long as each occasion is at least 3 weeks.
- As furloughing someone is a change to their contract of employment, it must be confirmed in writing and you must keep a record of the communication on the employee's file for 5 years (presumably so HMRC can check your records at a later date).

There are still no clarifications/unanswered questions, especially around annual leave.