Ask ICAS Webinar Series

Coronavirus Employed and Self-Employed Support
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Coronavirus Hub on icas.com

ICAS coronavirus guidance
ICAS is committed to supporting the welfare of our members, students and staff and is following the official UK government guidelines available for the.

ICAS reacts to UK Budget
The team at ICAS responds to the tax measures in the March 2020 UK Budget.

ICAS governance, the Office Bearers elections, and you
The process to nominate and elect Office Bearers allows all members to play their part in the

Learning from Canada
David Wood highlights the relevance of ICAS expert report C2&G: Direct and Beyond for the UK – EU trade regulations
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Your ICAS team for today

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Job Retention Scheme (JRS) and Furloughing Employees

Key points:

- The scheme was announced by the Chancellor on 20 March 2020.
- Any employer “severely affected” by Covid-19 qualifies for government funding.
- The funding will be available to be claimed from the end of April 2020 and should be in place by the end of June 2020.
- The scheme is based on the employees in post on 28 February 2020.
- The scheme is intended to run from 1 March 2020 to 31 May 2020 - to be reviewed and extended where necessary.
- Basic guidance for employers and employees has been produced by HMRC.
- Separate guidance has been published relating to government assistance for the self-employed.
- Employer NICs and basic level pensions auto-enrolment contributions are also recoverable.
- Furlough must be for a minimum of three weeks which allows for flexibility in the workforce.
- Workforce planning and business cash flow projections are key to the success of the scheme.
- Robust decision-making audit trails are recommended to protect employers who make claims.
- HMRC retains the right to make checks on any claims for assistance.
What is "Furlough"?

- A US term for a temporary lay-off
- Furlough is therefore a temporary measure to put employees on leave of absence – with or without pay
- The employees do not cease to be employees of the business
- Typically used where an employee whose position they might otherwise have needed to make redundant

The key thing to remember is that employees cannot be furloughed if there is no risk of redundancy and there is paid work available for them to do.
Job Retention Scheme (JRS) and Furloughing Employees

What assistance is available to employers?

The Govt is offering to pay capped, non-repayable grants covering

- The lesser of 80% of basic salary or £2,500 per month
- Employer's NICs
- The value of minimum Auto-Enrolment pension contributions applicable to that payment

This means that the maximum JRS grant will be based on a salary of £37,500 per annum/£3,125 per month per employee. The element covering the salary must be paid in full to the furloughed employee.

Note – where applicable apprenticeship levy remains payable by the employer but will not be covered by the JRS grant.
Job Retention Scheme (JRS) and Furloughing Employees

Who is covered by the JRS?

Businesses

- Any UK organisation with employees and a UK bank account can apply, including:
- Businesses
- Charities
- Recruitment agencies (agency workers paid through PAYE)
- Public authorities (most are not expected to claim)
- Companies in administration
- The grant income received must be included as income in the business’s calculation of its taxable profits, and employment costs deducted when calculating the business’ taxable profits.
Who is covered by the JRS?

Employees

The scheme covers all employees in place and on the payroll at 28 February 2020, including:

- Full and part-time employees;
- Employees on flexible or zero-hour contracts;
- Employees whose positions were made redundant after 28 February due to immediate cash flow difficulties can be re-employed and then furloughed, but the scheme crucially does not cover newly hired staff who were due to commence their role after 28 February.

Note that employees on agency contracts (i.e. paid by an employment business subject to PAYE deductions) are also eligible where the agency makes the claim for assistance.
Job Retention Scheme (JRS) and Furloughing Employees

Are the payments taxable?
• Yes

What level of salary should be used for the basis of the calculations?
• Value of gross basic wages/salaries payable as at 28 February 2020 for calculating the 80%; OR
• Capped at £2,500, whichever is the lower.
• Pay rises awarded since then are not to be included

What payments are specifically excluded?
• Bonuses
• Fees
• Commission

Are employees allowed to work during furlough?
• No – although there are some exceptions for emergency volunteering.
Job Retention Scheme (JRS) and Furloughing Employees

How does the employer grant process work?
It is advisable to notify affected employees in writing that they are to be furloughed.

Employers should take appropriate legal advice in relation to
The employment status of the staff;
• Appropriate consultation/ collective bargaining agreements etc.

Making a claim for JRS grants will require employers to run the payroll as usual, submit the FPS in the Real Time Information system, and then run a separate set of calculations.

HMRC is opening a special portal for this purpose which will cater for the claims being made. HMRC will then be able to compare the two sets of records.
Job Retention Scheme (JRS) and Furloughing Employees

When does the portal go live?

The portal is due to go live at the end of April 2020.

It is expected that employers will need the following to use the portal:

• ePAYE reference number
• number of employees being furloughed
• claim period (start and end date)
• amount claimed (per the minimum length of furloughing of three weeks)
• bank account number and sort code
• contact name and telephone number

Employers will need to report information at intervals of three weeks through the portal.
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Coronavirus Employed and Self-Employed Support
Self-employment Income Support Scheme

- It is a grant
- Applies to sole traders and partnerships
- 80% of the average profits from the 2016/17; 2017/18 and 2018/2019 tax years (where applicable)
- It is taxable in 2020/2021 tax year
- It is part of income for Tax Credit claims
- We don’t know if it is income for Universal Credit, but logically it should be
Who is eligible?

Self-employed individual or a member of a partnership and:

• have submitted an Income Tax Self Assessment tax return for the tax year 2018-19 by **23 April 2020**; and

• traded in the tax year 2019-20; and

• are trading when they apply, or would be except for COVID-19; and

• intend to continue to trade in the tax year 2020-21; and

• have lost trading/partnership trading profits due to COVID-19
Who is eligible?

They must have at least one of the following:

- Trading profits/partnership trading profits in 2018-19 of less than £50,000

OR

- Average trading profits in 2016-17, 2017-18, and 2018-19 of less than £50,000

AND

- and these profits constitute more than half of their average taxable income in the same period

If they started trading between 2016-19, only those years for which they filed a Self-Assessment tax return will be taken into account
Who is eligible?

Scenario 1 – 2016/17 Profit £25k; 2017/18 Profit £40k; 2018/19 Profit £55k
Average £40k = less than £50k = eligible

Scenario 2 – 2016/17 Profit £45k; 2017/18 Profit £60k; 2018/19 Profit £50k
Average £51,666 = more than £50k = NOT eligible

Scenario 3 – 2016/17 Profit £40k; 2017/18 Profit £60k; 2018/19 Profit £50k
Average £50k = not less than £50k = NOT eligible
Who is eligible?

HMRC will use data on 2018-19 returns already submitted **to identify those eligible** and will risk assess any late returns filed before the 23 April 2020 deadline in the usual way.

It would appear that HMRC will contact taxpayers who THEY consider qualify and invite them to apply online. It is **NOT** clear whether they will also notify agents.

We do not know if there will be a mechanism to appeal / get in contact if you believe they are wrong!
How is the payment calculated?

80% of the average profits from the 2016/17; 2017/18; and 2018/19 tax years (where applicable)

“To work out the average HMRC will add together the total trading profit for the 3 tax years (where applicable) then divide by 3 (where applicable), and use this to calculate a monthly amount.”

Whole grant will be paid direct into taxpayer’s bank account in one lump sum beginning in June 2020
How is the payment calculated?

**Scenario 1** - 2016/17 Didn’t trade; 2017/18 Profit £4k; 2018/19 Profit £20k
Average = £24k / 2 = £12k pa = £1k pm > 80% of £1k = £800 x 3 = £2,400

**Scenario 2** – 2016/17 Loss £26k; 2017/18 Breakeven; 2018/19 Profit £49,999
?? Average £24k / 3 = £8k pa = £667 pm > 80% of £667 = £533 x 3 = £1,600
?? Average £24k / 2 = £12k pa = £1k pm > £800 x 3 = £2,400
?? One year £49,999 = £4,166 pm > 80% = £3,333 > restricted to £2,500 x 3 = £7,500
Grey areas…?

Causation clause

“have lost trading/partnership trading profits due to COVID-19” – how will HMRC treat this? Any de minimus level? Can you claim if still trading? If so, how much – pro rata?

Capital allowances

Should calculation be done before or after capital allowance deductions?

We think after, as HMRC may only have a 3 line return, not full calculation

Pension contributions

50/50 rule introduces a distinction between employed and self-employed income, but how do you allocate pension contributions?

Beware of scam emails

HMRC determining and contacting those it deems to be eligible is ripe for scam emails – warn your clients!
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Q & A
Further information and guidance

- Coronavirus Hub on icas.com
- CA Connect
- Technical Helpdesk (Contact us on icas.com)
Ask ICAS Webinar Series – Further dates this month

- 9 April – Accounts and audit of private companies, Why cash remains king and director responsibilities
- 16 April – Charities, Regulation requirements
- 23 April – Latest hot topics
Thank you for joining us

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Thank you for joining us