Ask ICAS Webinar Series

Coronavirus Job Retention Scheme and Self-Employed Income Support Scheme Update
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All change!

- The CJRS will change from 1 July 2020 with greater flexibility
- From August 2020, employers will start to contribute to the scheme on a graduated basis
- The scheme will close to new entrants from 30 June, and will conclude finally on 31 October
- The guidance is now all listed on a "collection" page.
- 'CJRS Part 2' can be found here
- We are still waiting for the Treasury Direction to be published
- There is an updated HMRC Fact sheet covering CJRS and SEISS changes
From July you can bring employees back to work for any amount of time and any shift pattern.

When working, employees should be paid a normal wage.

Employers can still claim Government grants for time spent furloughed.
Chancellor's CJRS announcements of 29 May

- From 1 July 2020: flexible furlough introduced
- From 1 August 2020: employers required to pay ER NICs & pension contributions for furloughed workers. Amounting to around 5% of total furlough costs on average
- From 1 September and October: employer continues to pay these costs – AND pays 10% and 20% of furlough pay respectively
- CJRS scheme closes to new entrants from 30 June.
- Employers must have furloughed anyone they wish to furlough between July- Oct at some point between 1 March and 30 June.
- Therefore, 10 June was the cut-off date for furloughing an employee for the first time.
- Employers have until 31 July to claim in respect of the period to 30 June
How it works – July to October

• Employers will be allowed to decide who can return to work part time from 1 July and what hours and shifts people will work – and while they are working, the employer will be fully responsible for paying their pay, employer’s NICs and employer’s pension contributions as they were before the furlough scheme began.

• Where employees are unable to return to work, or there is not yet any work to be done, they can remain on furlough and the employer can claim 80% CJRS grant throughout July.

• The mandatory three-week furlough will no longer apply. The payroll calculation will obviously become more complicated the more people come and go but this will increase flexibility and help employers to start up business and productivity again.

• Furlough claims must be made for at least a week’s worth of furlough pay through the CJRS portal, but claims for longer periods can also be made. Employers will be required to submit data comparing the hours an employee would be expected to work and the actual hours worked.

• From 1 July, claim periods will no longer be able to overlap months. Employers can however continue to make claims in anticipation of an imminent payroll run, at the point payroll is run, or after the payroll has been run, as before.
Some practical tips

• Claims for furlough periods completed up to 30 June must be made before claiming post 1 July
• One claim per PAYE scheme only – to include all pay frequencies
• Claims cannot be made more than 14 days in advance of the end date of a claim period
• Claims cannot be shorter than a week – unless 6 days or fewer relate to the previous month.
• Lunar payrolls might have to make 2 claims a month to make it fit in to the calendar month
Maximum numbers

From 1 July, checks will be made to ensure that employers are not claiming CJRS for more employees than they claimed for in any one claim up to 30 June 2020. So, claims made in the same month cannot be added together.

The claims portal will, however, allow for the following exceptions:

- employees returning from parental leave who had not previously been furloughed (and the employer has been furloughing other employees already) - applies to adoption leave, shared parental leave, and parental bereavement leave.
- employees moved into a new PAYE scheme after 10 June - as long as they were included in a claim under the pre-reorganised PAYE scheme's CJRS claim between 1 March - 30 June 2020
- employees included in a TUPE transfer after 10 June – as long as they were included in CJRS claim under the previous PAYE scheme between 1 March - 30 June 2020
- employed military reservists can also be furloughed when returning to civilian work after a period of active duty (and they work for an employer who has previously furloughed employees)
Month by month - CJRS

• During June and July, the government will pay 80% of wages up to a cap of £2,500 as well as employer National Insurance (ER NICs) and pension contributions for furloughed workers.

• During August, the government will pay 80% of wages, capped at £2,500 but employers will pay ER NICs and pension contributions for furloughed workers.

• During September, the government will pay 70% of wages up to a cap of £2,187.50 for furloughed workers – employers will pay ER NICs, pension contributions and 10% of wages to bring pay up to 80% or £2,500.

• In October, the government will pay 60% of wages, capped at £1,875 for furloughed workers, whilst the employers will pay ER NICs, pension contributions and 20% of wages to bring pay up to 80% or £2,500.

Note: The cap on the furlough grant will be proportional to the hours worked
Hours worked – a few pointers to work out flexible furlough

Flexibility is king – but it requires some calculations!

• Employees can work part-days, part weeks and part months – the employer decides
• But- there is a calculation to be done and the following will need to be provided on the CJRS portal to make the claim:

1. "Usual" hours worked – these are contracted hours (salaried) or a calculation based on a specific formula for variable hours or zero hours/casual contracts
2. Less: Actual hours worked – record keeping is vital here
3. Leaving the furloughed hours to be claimed back

Round up to the next whole number of hours in all cases

100 or more employees

As before, only employers with 100 + employees are allowed to make a claim on a spreadsheet.
99 or fewer – must be done as before – one by one.
Support and compliance

• CJRS example calculations are extremely simplistic
• Support: employer & agent helplines; web chat ???
• HMRC approach to compliance – light touch, or heavy-handed?
• Substantial CJRS whistle-blowing activity
• Understanding = compliance – is the guidance adequate?
• Are practitioners and payrollers weary - 8th iteration?
• Best defence = good records; sound reasoning?
• Naming and shaming?
Overpayments

Where too much funding has been received due to an error by the employer, this must be paid back to HMRC.

- Portal amendments to allow overpayments to be notified
- Applicant can reduce the claim by the value of the previous overpayment
- Records – to be kept for 6 years
- If not planning to submit further claims: HMRC will release a further facility to allow errors to be notified and repayments made – further details awaited
Pension points

Employer and employee pension contributions and flexible furlough

- July – HMRC pays pension (& ER NICs) on furlough
- August, Sept & Oct – employer pays pension & ER NICs for furlough and working salaries
- Payroll software
- Payrollers – deserve a medal!
- Record – keeping
- Guidance from TPR: updated on 15 June
- Take extra care to ensure the furlough pay (80%) pension contributions in August, Sep & Oct are paid by the employer – and the working pay (100%) portion is also paid at the correct rate
- Employer pension obligations continue as usual in accordance with scheme rules- BUT- contact scheme provider if having trouble
- TPR "...will take a proportionate and risk-based approach towards enforcement against those who fail to meet their duties" during Covid-19
Webinars you can watch - by HMRC

Find out more by watching these webinars:

Coronavirus COVID-19 Statutory Sick Pay Rebate Scheme: Providing an overview of the scheme, this webinar looks at who can claim, when to start paying SSP, employees you can claim for, making a claim, keeping records, and more. Choose a date and time

Coronavirus Job Retention Scheme – How to make a claim: This guides you through making a claim, including the essential information you need, what to do before you make your claim, calculating and processing your claim. Choose a date and time

Coronavirus (COVID-19) – Self-Employment Income Support Scheme (SEISS): This webinar covers the aim of the scheme, who can apply, how much may be claimed, applying for the scheme, what happens after applications are made, and other support available. Choose a date and time
Ask ICAS Webinar Series
Coronavirus Job Retention Scheme and Self-Employed Income Support Scheme Update
# Quick Summary

<table>
<thead>
<tr>
<th>First Grant</th>
<th>Second Grant</th>
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<tr>
<td>80% of [3 yr] monthly averaged Capped at £7,500</td>
<td>70% of [3 yr] monthly averaged Capped at £6,570</td>
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<tr>
<td>4 May</td>
<td>Use same one</td>
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<tr>
<td>13 May</td>
<td>?? August</td>
</tr>
<tr>
<td>Before 13 July</td>
<td>On or after 14 July</td>
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<tr>
<td>13 July</td>
<td>TBA</td>
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<td>Online “review”</td>
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## Amount
- First Grant: 80% of [3 yr] monthly averaged Capped at £7,500
- Second Grant: 70% of [3 yr] monthly averaged Capped at £6,570

## Dates
- 4 May: Checker available
- 13 May: Claims open
- Before 13 July: “Assessment” date
- 13 July: Claims close
- Online “review”:
- Appeals: TBA
Basic points

• Each grant is stand alone, with a separate assessment required for “adversely affected”-so an individual could qualify for just one, either, or both.

• You will need to declare the grants:
  • on self-assessment tax return for tax year 2020/21
  • as self-employed income for Universal Credit and Tax Credit claims and should be treated as income received **on the day it's paid** for any Universal Credit claims or tax credit changes.

• The grants do not need to be repaid but will be subject to Income Tax and National Insurance from the day you receive it.

• Taxable income of partners NOT partnerships.

• **Should income be included in accounts as trading income?** We think not, but seeking confirmation
Basic points

VAT implications
No guidance from HMRC on whether the grants are subject to VAT or count towards turnover for VAT registration limits. Therefore we assume:

• The grants are outside the scope of VAT and no output VAT should have to be accounted for; and

• The grant income should be disregarded for VAT registration and deregistration limits.

Breaking news! - Self-employed army, navy and air force reservists who are currently ineligible for the SEISS as a result of their service will be able to access the grants [announced 15 June]
Record keeping

You must keep:
• all usual self-employed books and records;
• the claim reference number and amount claimed under SEISS; and
• any evidence that your business has been adversely affected such as:
  • business accounts showing a reduction in turnover
  • confirmation of any coronavirus-related business loans you have received
  • dates your business had to close due to lockdown restrictions
  • dates you or your staff were unable to work due to coronavirus symptoms, shielding or caring responsibilities due to school closures
• Recommend every claimant notes the rationale they have used – and dates it!
Adversely affected

HMRC guidance has been updated 12 June


Hard to see what has changed apart from a fairly pointless table.

Not much clearer

“Much ado about nothing”
Adversely affected?

Restrictions on trading

• Government orders have meant that your trade or industry had to close or to be restricted in such a way that your trade closed or is otherwise adversely affected.
• You cannot organise your work or workplace to allow your staff to work safely.
• You cannot serve customers due to social distancing.
• Restrictions have affected your customers or staff.
• Your supply chain is interrupted due to shortages of product, PPE etc.

Restrictions on you personally

• You have been ill or self isolating or shielding.
• You have had to care for others and this disrupted your work.
Overpaid or claimed when not eligible?

- Excess monies claimed will be recovered
- Better to tell HMRC before their fraud investigators discover it!
- If overpayments/ineligible claims are made and not voluntarily disclosed, penalties may be charged – more later!
- Do NOT contact HMRC yet as details of how to have not been published yet
- [Sign up for email alerts](#) for updates.
Penalties and compliance

The Technical Consultation covering penalties etc closed on 12 June.

- The draft FA legislation covers the reclaim and penalties approach to any form of Covid-related government assistance other than monies granted under a covid-19 business support scheme and contains the following key points:
  - S.7 effectively "converts" the grants or furlough payments into a tax liability where it is discovered the payee was not entitled to receive the payment
  - Section 8 then imposes a "tax charge" to the value of 100% of the amount claimed by the payee
  - Any recovered grant is no longer treated as taxable income. This avoids a potential double charge
  - In addition to the 100% tax charge above, HMRC has the power to impose a penalty where the behaviour is proven to be deliberate. This is likely to follow existing "deliberate and concealed" penalty methodology – meaning the payee could face a total maximum 200% charge
  - Lesser transgressions such as negligence or innocent error – not yet known
Return to Work package

£230m announced 16 June by Scottish Government to fund:

• £51 million for business support, including boosting high growth companies
• £78 million for construction, including £40 million for regeneration projects and £20 million for roads maintenance
• £66 million to kick-start our green recovery, including £7 million to equip buses for physical distancing and the return to work
• £35.5 million for digitisation, including justice and education services

No substantive details yet…
Business Loans Scotland

- Working capital loans from £25,000 up to £100,000 (up to £250,000 in exceptional circumstances)
- Initial 3-month capital and interest holiday
- Interest rate fixed at 6%
- No additional fees or charges
- Repayment period up to 5 years
- Only certain business sectors eligible

For more information and details see: https://www.bls.scot/covid-19-working-capital-loan
And finally…

RBS current top 5 online frauds…

5. HMRC email scams – including Covid-19
4. TV licences
3. Hot tubs
2. Pedigree dogs
1. Nintendo switch
Ask ICAS Webinar Series
Q & A
Further information and guidance

- Tax and practice matters on icas.com/tax and icas.com/practice
- Coronavirus Hub on icas.com/coronavirus
- CA Connect on icas.com/caconnect
- Technical Helpdesk (Contact us on icas.com)
- Follow on Twitter @ICASaccounting and LinkedIn ICAS - The Professional Body of CAs
ICAS Webinars – What's coming up

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