The Rt Hon Alister Jack MP  
Secretary of State for Scotland  
1 Melville Crescent  
Edinburgh  
EH3 7HW

24 April 2020

Dear Secretary of State

On behalf of ICAS and its members I am writing to inform you about current concerns and queries about COVID-19 support and its impact on the economy.

ICAS members’ experience reflects:

- A membership of over 23,000 members
- ICAS regulates around 1,000 accountancy practices
- Approximately 10,000 of the membership are in Scotland; 10,000 in the rest of the UK (with the majority in the South East); the rest work across the globe.

This letter reflects the views and experience of ICAS members as at 22 April 2020 and focuses on the UK schemes.

ICAS views its role in part as providing support and assistance to members; and in part feeding back member concerns to the authorities.

We welcome the support

First, we would like to acknowledge the considerable work and support of the Governments, civil servants, HMRC, Her Majesty’s Treasury, and all those working to implement the new measures introduced by both the UK and the Scottish Governments to try to ease the economic impact of coronavirus amidst the challenges of remote working and staff absence. We recognise that this is particularly difficult in relation to protecting taxpayer information and data protection requirements.

We would also like to acknowledge the time taken by Government departments to consult with ICAS staff, and that our feedback has been acted upon, particularly in relation to the CJRS and SEISS schemes.

Broadly, our member feedback suggests that:

- There remains some confusion about which scheme is relevant to who (CJRS, SEISS or Universal Credit), which is all the more distressing for those who fall between the support schemes and do not qualify for any scheme or for very little payment. For example, this is particularly the case for owner managers of limited companies or for some who were moving jobs during March.
- Covid-19 bulletins consolidating and summarising changes are helpful, we would welcome a similar mechanism in Scotland to help identify and access all changes being made across the economy.
- Cash flow remains a huge concern and for many businesses there has been very limited short term lending up front; at best it may start to be delivered at the same time as the CJRS starts paying out. We note the need for processes driving bank lending decisions, where a government guarantee exists, to be more streamlined and facilitate fast tracking.  
- While the CJRS is appreciated, there is a danger of businesses having insufficient resources to pay other (non-payroll) costs now or three to four months down the line.
• Cash flow also remains a considerable issue for the self-employed, where government funding from the SEISS scheme is not expected until June.
• Realistically it is expected that a number of businesses will not make it through the current emergency.
• There remains concern about the opportunities for fraud.

We recognise that a phenomenal amount of work has been undertaken to put the support schemes in place. However, with the speed needed to get from creating the policy through to its operation, there are some areas which our members have raised with us and these are noted below.

**Coronavirus Job Retention Scheme (CJRS)**

**CJRS - The 19 March cut off**

We note the cut-off date change from 28 February to the 19 March and question its effectiveness. This will help a small number of weekly paid employees and a few employers that have a mid-month pay date, but most employers run monthly payrolls and their new employees will not necessarily be better off.

The new start date requires an employee to be on the payroll records and included in an RTI submission made on or before 19 March 2020. However, the original guidance simply stated that any person who was employed by 28 February would be eligible to have 80% of their salary covered by the JRS.

In most businesses, employees joining the company in the last few days of February would not be paid in February, and would not receive their first pay until March, since they missed the cut off for February payroll processing. These employees all have other evidence of actual start dates so advisers felt quite comfortable that there would be an avenue to claim CJRS for these employees who had legitimately started work on or before 28 February, in line with the guidance. Now, they will not qualify as they were not included on an RTI submission until the end of March.

**CJRS - More or less than 100 employees**

In order to make the CJRS claim, if the employer has fewer than 100 employees on furlough, each employee’s information needs to be input manually and this needs to be done each time a claim is made (so weekly, monthly, fortnightly, etc as wages are paid).

This is time consuming (and may mean being locked out of the portal); likely to lend itself to mistakes; and is duplicated many times over for payroll agents (for instance, one ICAS firm alone, is responsible for over 400 SME payrolls). We recommend that this is changed. There is already a file upload facility for 100 or more employees so it is not clear why that cannot be used irrespective of the number of employees.

**CJRS – public information announcements**

There remain concerns about the opportunities for fraud. Is the Government planning to use public information announcements about this as it is important that employers and employees/workers do not use the CJRS scheme as an opportunity to obtain funds if they do not qualify for furlough assistance. At present, we understand that there are four lines of defence in the assistance process, but apart from checking that employers are genuine and that the claims look reasonable, there is really only retrospective checking and reliance on public goodwill. What about employers who simply try to claim as much as they possibly can and see it as a way of getting the government to pay 80% of salary whilst they are asking people to work? What about criminal attacks?

**Owner/managed businesses and CJRS**

Concerns have been expressed to ICAS regarding SME businesses which are conducted via a company and where the owner/director will be eligible for CJRS based on their salary but a key requirement of the CJRS is that no work is undertaken (other than directors’ duties) and this appears unfair relative to the position of the self-employed and SEISS.

It also seems counter intuitive to have a scheme whereby the director cannot work in their business; as recognised with the self-employed scheme all businesses will need to have a person who has not been furloughed to keep it going as best they can.
It would also be helpful to have a clear definition of what HMRC considers will qualify as directors’ duties and there have been questions raised with us about how widely this may be interpreted.

**Self-Employed Income Support Scheme (SEISS)**

With CJRS having gone live, it would now be helpful to have some of the outstanding issues around the SEISS addressed. We understand that it is more difficult to put together a support scheme for the self-employed but feedback from members suggests that some features of SEISS are considered to be arbitrary and unfair either within the scheme or when compared with CJRS. Examples are provided below.

**SEISS – who qualifies?**

Our understanding is that current qualification rules would not cover the following scenarios:

- A 2019-20 start up will not qualify as there is no self-employed income for the 2018-19 tax year
- A person who, over the years, has a mix of employment and self-employment but just falls short of the 50% test to qualify for any SEISS payment. Some members have suggested that the scheme could be tiered, for instance, the amount of SEISS grant paid could be restricted if self-employment only constitutes part of a person’s income.
- A test based on the previous year is not necessarily a clear indicator of this year’s loss of income; for example a dentist with over £50,000 profit last year now has very little opportunity to earn because the British Dental Association has said that dentists cannot do any dental work other than essential emergency work.

**SEISS – appeals process**

It would be helpful if HMRC could say when individuals will receive notification that they will be paid SEISS; and beyond this a process needs to be put in place for those who think they have been inadvertently omitted or wish to appeal.

**SEISS threshold of £50,000**

Questions have been raised by some members about the cut off threshold of £50,000 profit for SEISS. The introduction of a ceiling beyond which a self-employed person cannot qualify introduces an unfair differentiator between the support that is offered to an employed person and a self-employed person. There is no upper threshold for qualifying for support for employees on CJRS (who have the 80% and £2,500 limits for paying out) and for some self-employed this lack of any personal support is causing material financial distress.

The desire to be mindful of public funds and not to hand out unnecessary amounts of public aid are recognised too; removing the £50,000 threshold could be counterbalanced by imposing limits in relation to loss of earnings from Covid 19. For example, if the taxable earnings in the year 2020/21 were at least equal to the amount on which the 80% calculation was prepared, then any payments under the self-employed income scheme should be repayable in full (and tax deductible on the basis the amounts were taxable). Collection would be via a subsequent tax return. There could also be some form of taper where the income was less than the 80% basis if considered appropriate.

**The Future Fund**

The match funding from the private sector appears to be based on a convertible loan, not an EIS qualifying instrument. The restriction of eligibility to convertible loan notes (CLNs) excludes EIS and early stage investors which will be detrimental to investment. If EIS is seen as a necessary stimulant in normal times, then arguably it is needed even more now to help maintain the pipeline of newer businesses. We suggest a modification, not to include all CLNs, but if HMRC could allow EIS tax relief to apply to these CLN’s on conversion to equity i.e. CLNs which are government matched which convert into an EIS qualifying equity round, that would be very helpful and broaden the scheme to be usable by EIS investors.

The scheme could also consider other forms of instruments such as Advanced Subscription Agreements to broaden usage by EIS investors however this could increase complexity and delay so on balance, we believe it would be simpler to modify the CLN provision. We would welcome further details on how the scheme will be structured.
Focusing eligibility on an unlisted UK registered company that has raised at least £250,000 in aggregate from private third-party investors in previous funding rounds in the last five years is reasonable.

We are supportive of the use of matched funding and reliance on private sector due diligence. For clarification, would “other private third-party matched investor(s)” include sources such as the Scottish Co-Fund and other grants or funding which have been subject to due diligence?

**Lending**

We are still receiving feedback from businesses about the difficulties obtaining loans. Delays accessing needed cash are concerning. There appears to be a lack of alignment between the scheme’s intentions and the bank’s procedures for assessing business viability and risk in taking forward loan applications. We understand that expectations have been communicated by the British Business Bank to bank CEOs. Ensuring this is effectively cascaded, with appropriate changes to corporate bank lending procedures when government guarantees exist, to speed up operational delivery of loans to businesses in need is essential.

**Non-domestic rates and accountability**

We note the challenge from business regarding the differences in relief offered in Scotland for businesses with multiple properties compared to England and the subsequent decision by the [Scottish Government to revise the original support offer](#).

The responsiveness of the Scottish Government and willingness to evolve arrangements to better meet need is welcome. However, this example illustrates the importance of transparency underlying decisions to apply a different policy and clear public communication around the reasons, and potential impact of such decisions as well as showing the full reallocation of funds to support effective accountability of devolved jurisdictions. We stress the importance of this.

**The charitable sector**

The charitable sector often assists where there are gaps in provision however, the charity sector itself is in a precarious position, given that it is equally affected by the lockdown and access or otherwise to support measures. Coming out of the lockdown our members report that many charities may be less able to assist in cases of need where revenue has been reducing and demand increasing (and this will only deteriorate).

For some charities, and from the reports we have received so far mainly in England, there is clearly confusion by local authorities on the interaction between small business rate relief and charitable rate relief. The Government guidance is unclear. If the Government is looking to provide a cash grant to ‘businesses’ with premises subject to non-domestic rates where the rateable value is within the SBRR band then surely it wants to provide that grant to all premises concerned rather than discriminating against those where the occupier is a charity.

**Looking to the future in the short term**

We would encourage the UK Government to consider clear articulation of the potential options beyond June because employers need to be able to make strategic decisions for their organisation. This will include assessing (as best they are able) their staffing needs, their cost base and their terms and conditions of employment. The furlough scheme is currently only in place until the end of June and employers need to know what if anything may be proposed beyond this to support the reopening of their business.

After the initial lockdown ends, we would also encourage consideration to be given to permitting employees to be able to work for their employer whilst on the furlough scheme so that a gradual build-up of work is encouraged. And, at the same time, the CJRS could be withdrawn over a number of months, say, with 60/40/20 percent support in the months after lockdown ends.

SEISS seems to be designed for a temporary slowdown/ disruption of business, rather than the total cessation of income streams without forewarning, such as has hit the tourism, hospitality and ‘non-essential retail’ sectors. We believe that the SEISS needs to be extended and may need further evolution in order to support the rebuilding of businesses.
Looking to the future in the longer term
Much needs to be examined on the tax front - how will the UK pay for this recession and the support schemes? And how will some of the unfairness between employees, workers and self-employed so vividly exposed by the coronavirus support schemes be addressed?

The area of the tax system around income tax and national insurance is riddled with distortions. An individual worker may prefer to be self-employed rather than employed because NICs will be lower and the expenses rules are more generous. Lower corporate tax rates and lower taxation of dividends incentivise many businesses to incorporate. This needs to be addressed, as does the cost of employer NICs. Currently, the cost of employer NICs is key to exploitative practices in the gig economy and to illegal modern slavery.

We suggest that a public discussion exploring the role of tax in supporting public services and contributing to the common good would be useful. The government could facilitate this discussion through greater transparency about the link between raising tax revenues and paying for improved public services.

The UK manufacturing base, together with the Government, should be factoring in risk costs to goods acquisitions and supply chains; there is a need to think outwith the cheapest costing, which has been demonstrated to leave exposures in the manufacturing and supply base in the UK.

The State Aid provisions which tie in with this are unhelpful and perhaps need to be re-thought so that countries are able to be self-sufficient rather than relying on overseas markets and manufacturers to provide supplies.

In summary
I appreciate that not all the issues that we have raised above may be dealt with immediately but I hope it is useful for you to have feedback regarding the concerns and problems that are being found by our members in their capacity as both business advisers and in the running of businesses.

May I take this opportunity on behalf of ICAS and its members to thank you and your officials for all the immense amount of work that is being undertaken in this time of crisis.

Yours sincerely

[Signature]

J Bruce Cartwright CA
Chief Executive

Cc – Rt Hon Douglas Ross MP – Under Secretary of State for Scotland