

# Financial support measures to help your business through COVID-19

## FAQ's

The below questions were asked by participants at Bishop Fleming's webinar, 'Financial support measures helping businesses during COVID-19', which took place on Thursday 9th April 2020.

The answers are correct as at the day of writing, up until 20th April 2020.

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# Funding

## Grants

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Once a small business grant has been received, how should that "income" be treated in our accounts?

The grant is not turnover, so should be treated as other income, rather than negative business rates. The grants are taxable, so do have to be included in the accounts. If you have a problem entering the amount in Xero, please contact your Bishop Fleming adviser, who will be happy to help.

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Other than the CBILS, furlough grant and assistance re. business tax, are there any other grants we could possibly apply for?

You can Google 'Growth Hub' for your area where you will find a list of local funds that are available.

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Will the fact that a grant is classified as state aid affect the employment allowance for 2020/21?

Under the EU state aid rules, a business can receive up to 200,000 euros. So this should not be an issue.

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If a company rents through a wework type environment, can it still claim the small business grant? If not, what is available?

In this case, the grant is unlikely to be available. Other help may be available, depending on your circumstances. Please contact your Bishop Fleming adviser, who will be pleased to help.

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Do the government contact small businesses direct to apply for the small business grant?

Yes, you should be contacted directly by your local authority.

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## Coronavirus Business Interruption Loan Scheme (CBILS)

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What is a reasonable amount for a small business to borrow under the CBILS scheme to aid cashflow?

The amount to be borrowed is what is considered commercially sound, bearing in mind the likely market conditions and your requirement for working capital. A cash flow projection should be drafted with the help of your adviser in order for you to properly ascertain the amount you need to borrow.

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For companies with turnover £45-500m, is interest on these loans covered by the government for the first 12 months, as with smaller companies?

No, the CBILS does not offer an interest free option for the first twelve months, unlike the CBILS for smaller companies that does offer this. More information can be found here - <https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-schemes/cbils/fags-for-businesses>

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If we already claimed R&D tax credits, can we still make use of CBILS?

Yes you can, but there may be an issue with state aid. HMRC says the state aid restriction on receipt of other state aid potentially applies, if the CBILS relates specifically to the company's R&D expenditure (on a project) rather than being intended more generally to support the company. Please check out our article - <https://www.bishopfleming.co.uk/insights/coronavirus-and-rd-tax-relief>

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# Funding

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When are lenders going to start accepting CBILS applications?

The scheme is open now. See the details here - <https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils-2/>

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In your experience, do CBILS carry a similar interest rate to normal commercial loans?

The interest rates will vary, depending on which bank is chosen and the credit risk perceived by the Bank of your company and sector within which it operates. Our corporate finance team will be happy to assist with any funding application.

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If the CBILS loan is £450k does the personal guarantees only cover the £200k over the exemption?

For CBILS facilities above £250,000, PG may still be required, at a lender's discretion, but they exclude the Principal Private Residence (PPR) and recoveries under these are capped at a maximum of 20% of the outstanding balance of the CBILS facility after the proceeds of business assets have been applied.

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What are the conditions for a viable business for CBILS

Conditions for viability may differ between lenders. CBILS says you must have a borrowing proposal which the lender would consider viable, were it not for the current pandemic. To assess this the lender may ask for:

- Management accounts
  - Cash flow forecast
  - Business plan
  - Historic accounts
  - Details of business assets
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Can CBILS be explored alongside the COVID business grants or is it either one or the other?

They are not mutually exclusive, but any cash flow forecast prepared for CBILS would need to take into account grants.

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One of the CBILS criteria is that it requires minimum 50% income generated through trading activity. Are membership income, grants or levies considered trading activity?

Income that is greater than 50% which is from a non trading activity would appear to disqualify a company from CBILS, but lenders can still be approached to assess the company's viability for a loan. Please speak to a member of our corporate finance team for more information.

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Will banks take a charge over the company when advancing funds under CBILS?

This will depend on the lender and their credit appetite. We would expect most lenders to take a charge over the Company. A conversation with one of our corporate finance team will help clarify the position.

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# Tax and VAT

## Corporation Tax

What about corporation tax due on April 1st? And will time to pay apply?

If time to pay is required, HMRC has set up a helpline to help companies - 0800 024 1222

## Business Rates

Can we defer business rates?

The government has offered business rate holidays for many businesses. Please read our article for more information. - <https://www.bishopfleming.co.uk/insights/coronavirus-grant-support-small-business>

How can companies access the business rate support?

You will need to contact your local authority if they have not already contacted you.

## Self Employed Income Scheme

I didn't start trading until after April 2019 – can I still claim?

No, as a minimum you need to have trading income on your self-assessment return for the 2018-19 period, have traded in 2019-20 and still be trading (or would be other than for the impact of Corona virus).

Is the £50,000 average profit cap based on accounting or taxable profits?

It is based on the figures declared on your self-assessment tax return. This will include turnover less allowable business expenses. Capital allowances can also be deducted.

I had more than one trade – can I claim twice?

No. The profits (and losses) of all the trades will be added together in arriving at the average profit figure.

Can I claim now?

No. HMRC are aiming to contact eligible tax payers in May. This will be based on the information they already hold about you, from the self-assessment tax returns you have filed.

Is the grant taxable?

Yes, it will need to be disclosed on your self-assessment tax return, and will attract both income tax and national insurance.

Can I claim Universal Credit as well?

You can make a claim whilst you wait for the grant. You should record it as part of your self-employment income, and it may effect the amount of Universal Credit you will receive (but it will not affect claim for earlier periods).

## VAT

I understand that HMRC have deferred payments. But beyond that, how flexible are they likely to be? i.e. would they allow a break in payments to be paid over the next tax year?

It may be too early to say how HMRC will treat those needing time to pay after the VAT deferral period ends. However, it is very likely that HMRC will offer time to pay arrangements in recognition of the difficulties businesses are in.



# Tax and VAT

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I need to do a partial exemption calculation for Q4 of our financial year. If this calculation results in a payment due, how do I submit this information, does it need to form part of the Q4 return?

HMRC has made clear that VAT returns should continue to be filed as usual and on time to allow HMRC to quantify the amount of VAT deferred. Partial exemption calculations should be carried out as usual

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If a client wishes to pay VAT on time in the deferral period, should they simply leave the direct debit in place, or will they have to do a manual payment once they have seen that a DD payment has not been taken?

If a DD is not cancelled then HMRC may take the money. If they don't and you want to pay the amount due you will need to contact HMRC about making a manual payment.

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When deferred VAT becomes due for payment, will it be required in one complete payment, leading to two VAT quarter payments in a short time period?

VAT deferred must be paid to HMRC on or by 31 March 2021. If payment at that point will be difficult, time to pay arrangements may need to be discussed with HMRC.

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Can you reiterate when the VAT deferral is payable?

The Chancellor stated that no business will have to make any VAT payments between 20 March 2020 and 30 June 2020, and amounts falling due during this period will not need to be paid to HMRC until the "end of the 2020/21 tax year". Amounts due will need to be paid by 31 March 2021.

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We are registered for quarterly VAT submissions. Most recent period ended 31/3/20. When will payment be due?

For businesses filing quarterly returns either their February, March or April VAT return payment will be deferred (i.e. payments due on 7 April, 7 May or 7 June).

Monthly payments on account due at the end of March, April, May and June can also be deferred. Businesses paying VAT by direct debit should ensure that their bank does not process the direct debit for the relevant payment or payments.

## PAYE and National Insurance

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VAT payments have been deferred, what about monthly PAYE & NI payments?

The VAT deferral is a specific relief. As regards to PAYE/NI delayed payments, HMRC will need to be contacted about time to pay arrangements. Please contact a member of our tax team for help with this.

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How willing are HMRC to let businesses defer PAYE and NI payments?

In the current circumstances HMRC is likely to be sympathetic. A member of our tax team can discuss this with you.

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# Furlough

## Director Furlough

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Can directors be furloughed while still carrying out their statutory duties?

Yes they can. HMRC has made this quite clear. However, you should read our article on this, as there are other considerations to take into account. - <https://www.bishopfleming.co.uk/insights/coronavirus-job-retention-scheme-can-directors-furlough-themselves>

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Can two directors decide one of them is to be furloughed?

Yes they can decide that one is furloughed, or both. Please read our detailed article on this for more information - <https://www.bishopfleming.co.uk/insights/coronavirus-job-retention-scheme-can-directors-furlough-themselves>

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Can a director be furloughed in anticipation of financial problems or can it only be done if your cash flow has been impacted already?

A director can choose to be furloughed if this will help the company financially. The Job Retention Scheme will cover 80% of your PAYE salary up to £2,500 per month. Please read our article on this - <https://www.bishopfleming.co.uk/insights/coronavirus-job-retention-scheme-can-directors-furlough-themselves>

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What are statutory duties that directors are allowed to do if on furlough. Does this include paying wages and invoices?

Please read our article on this - <https://www.bishopfleming.co.uk/insights/coronavirus-job-retention-scheme-can-directors-furlough-themselves>

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## Holiday implications

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Where we have staff on furlough and were due to take leave in that window, how does that leave get handled (our holiday year is to 30 June).

HMRC has issued guidance about taking leave whilst on furlough. Holiday can be varied with agreement and an employer can request a furloughed worker to take holiday whilst on furlough. Please read our article on this - <https://www.bishopfleming.co.uk/insights/coronavirus-job-retention-scheme-practical-guidance>

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Can we pay for any holiday pay to workers whilst on furlough? Paying full holiday pay and having a grant back for 80%, to avoid the roll over of holidays?

Please read our article on this - <https://www.bishopfleming.co.uk/insights/coronavirus-job-retention-scheme-practical-guidance>

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Are you able to confirm whether employees using holiday and/or the bank holidays will break Furlough leave, as the minimum furlough period is 3 weeks.

An employee can be furloughed and still take holiday. We cover this in our article on the Job Retention Scheme - <https://www.bishopfleming.co.uk/insights/coronavirus-job-retention-scheme-practical-guidance>

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## Process / Practicalities

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How does the money come in reference to furlough? Is it a bank transfer or will it be a reduction in the monthly payment to HMRC due?

The money will be paid into the employer's UK bank account from HMRC.

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# Furlough

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When you submit the monthly payroll to HMRC do you need to identify those individuals that have been furloughed via RTI upload?

If you have fewer than 100 furloughed staff you will be asked to enter details of each employee you are claiming for directly into the system - this will include their name, National Insurance number, claim period and claim amount, and payroll/employee number (optional). If you have 100 or more furloughed staff you will be asked to upload a file with the information rather than input it directly into the system. HMRC accepts the following file types: .xls .xlsx .csv .ods. Please check out our article - <https://www.bishopfleming.co.uk/insights/coronavirus-job-retention-scheme-practical-guidance>

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Should we be registering our employees as furloughed already?

Please read our article on this - <https://www.bishopfleming.co.uk/insights/coronavirus-job-retention-scheme-practical-guidance>. Workers can be registered as furloughed once it is agreed in writing between the parties. The ACAS website contains useful HR guidance and templates you can use.

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The Job Retention webpage on HMRC says that an employer must have a PAYE online account. Many employers do not have an online account as everything is administered by their Online Agent. Do you know if the claims can be administered by an agent through the Agent Login or must the employer have their own login?

Any businesses and agents that are authorised to act on behalf of clients for PAYE matters will have the ability to claim. Conversely, file only agents and Payroll Bureaus will not be able to access the service for data protection reasons.

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Do we need to have a PAYE on line registration, not merely a PAYE Scheme? In which case if we apply online the activation code will go to the company address, currently unoccupied!

You need to have registered a scheme with HMRC on or before 19 March. To claim, you will need:

- your employer PAYE reference number
- the number of employees being furloughed
- National Insurance numbers for the employees you want to furlough
- names of the employees you want to furlough
- payroll/works number for the employees you want to furlough
- your Self Assessment Unique Taxpayer Reference or Corporation Tax Unique Taxpayer Reference or Company Registration Number
- the claim period (start and end date)

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We have staff on short term contracts that started in December but they are due to end on or around 15th April. They are currently laid off but the work they were doing will not continue after 15th April. Can you please confirm that they will be eligible for furlough for the period 17 (or 21) March until the end of their original contract?

Yes they can be furloughed until their contract ends. The contract can be extended by agreement. There is further guidance on fixed term contracts in our article - <https://www.bishopfleming.co.uk/insights/coronavirus-job-retention-scheme-practical-guidance>

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Can you extend a fixed term contract and continue to furlough staff if their contract is due to expire in coming weeks?

Their contract can be extended by agreement between the parties.

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# Furlough

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In construction our staff are normally fully employed and we find it difficult to furlough for periods greater than 3 weeks at a time as jobs are cancelled due to COVID-19 and other work is gained, does it have to be a continuous 3 weeks?

There is a three week minimum for furloughing staff. That three weeks has to be continuous.

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Can an employee request to be furloughed or being made redundant instead of being asked to take a huge pay cut? The employee has over 20 years of service in that company.

Both employer and employee must agree that furlough will take place. It has to be by agreement. Redundancy after 20 years of service may be an expensive option for the employer and legal advice may be required.

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Can you confirm that payments for staff who are furloughed are subject to state aid?

Cash grants from the government would be treated as state aid.

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If even after being supported through COVID-19 by the furlough financial support system your business has to close or make some employees redundant - do you have to repay any of the furlough support to the Government?

When the government ends the scheme, the employer will need to make a decision, depending on the circumstances, as to whether employees can return to their duties. If not, it may be necessary to consider termination of employment (redundancy). HMRC have not said that redundancy would cause the employer to have to repay the money.

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If an employee requests furlough due to their child's school being closed, but you need them to work, can you refuse to furlough them?

Furloughing has to be by agreement. Employees who are unable to work because they have caring responsibilities resulting from coronavirus (COVID-19) can be furloughed. For example, employees that need to look after children can be furloughed. If someone is furloughed, they cannot do any work. If agreement cannot be reached, you may need to seek legal/HR advice or contact ACAS.

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Whilst staff are furloughed and offices are closed can we claim empty property rates?

The government has introduced help in the form of business rates relief for this current year. In addition, cash grants are payable. You may need to contact your local authority to check your position on this.

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Does an accountant have to apply for the Job Retention Scheme on behalf of the business or can I as the bookkeeper do it?

Any businesses and agents that are authorised to act on behalf of clients for PAYE matters will have the ability to claim. Conversely, file only agents and Payroll Bureaus will not be able to access the service for data protection reasons.

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Regarding the CJRS do you have any advice on what we should be recording, logging etc in order to potentially defend against a HMRC investigation.

It is good practice to keep a full record for at least five years of all decisions and other actions taken, so that HMRC can audit your records if necessary. An agreement between employer and employee to furlough must be in writing.

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# Furlough

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Are you able to give some practical advice with regards to the furlough process? We are expecting to furlough staff as of next week & would like to know when letters have to be sent (or be dated) - can they be e-mailed & what else might we need to do.

Please read our article on this - <https://www.bishopfleming.co.uk/insights/coronavirus-job-retention-scheme-practical-guidance> and you may need to seek legal/HR advice for any particular wording/format you wish to follow. The ACAS website contains some useful information and templates.

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In regards to furlough and the Job Retention Scheme, do you have any information on how the system will work and likely, how long might the reimbursement take? I feel this is something companies will need to understand and plan accordingly

The scheme starts on 20 April. Please read our guide - <https://www.bishopfleming.co.uk/insights/coronavirus-job-retention-scheme-practical-guidance>

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My relationship manager has asked me to build into our forecast that the CJRS will continue for 6 months. I am cautious to do this given the government haven't actually extended the scheme yet and will it have a significant impact on my cashflow given I am the only employee not to be furloughed on our whole payroll. What would you recommend?

At the moment the scheme only lasts until 30 June, so that is four months. It would be imprudent to assume the scheme will be extended beyond this date, but we are dealing with an unprecedented situation, so an extension is not out of the question.

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We are a residential care provider in receipt of funding via the Local Authority for a significant proportion of our residents. We know advice was that an employer can claim for furloughed employees who are shielding in line with public health guidance 'if they are unable to work from home and would otherwise have to be made redundant'. Further, arguably we are receiving funding to provide services 'necessary to respond to COVID-19'. Have you any further view on whether we can furlough our 12 weekers (and any others who for various reasons say they cannot work).

Please read our detailed guidance here - <https://www.bishopfleming.co.uk/insights/coronavirus-job-retention-scheme-practical-guidance>. It may be that as you are receiving public funds you would not be expected to furlough staff, though there may be some none-frontline staff who could be furloughed if they have no work to do.

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Does a company have to have a business tax account to make a claim on the new portal for Job Retention Funding?

HMRC has laid down a number of conditions. A PAYE payroll scheme must have been started on or before 19 March 2020 and the employer must have a UK bank account.

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To find out how we can help you or your business, contact us:

**T: 03333 21 9000**

**E: [advice@bishopfleming.co.uk](mailto:advice@bishopfleming.co.uk)**

**W: [bishopfleming.co.uk](http://bishopfleming.co.uk)**



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