



From all the team at Butler & Co, we hope everyone is continuing to keep well and safe as the first moves are made to bring the wider economy back online at a socially-acceptable distance.

COVID-19 BUSINESS SUPPORT

This week's update is extensive and detailed, as there are many changes being made to the Covid-19 Business Support Initiatives across the full spectrum of the programmes offered. We feel this detail is a necessity to ensure everyone understands the full impacts of these changes but appreciate some time to digest and fully engage with all relevant points set out below may be needed.

Please do ask questions if there is anything set out below that requires further clarification as to how it might affect individual businesses and situations – the team is available across the working week to answer specific queries and point individuals in the right direction to maximise access to the financial support available.

The key updates this week to consider are changes to the following:

1. **Job Retention Scheme for Furloughed Employees [JRS]**
2. **Self Employed Income Support Scheme [SEISS]**
3. **Bounce Back Loans [BBLs]**
4. **Universal Credit [UC]**
5. **Other support available**
6. **(PARTNERSHIPS ONLY) – Legal Partnership Agreements**

1. JOB RETENTION SCHEME [JRS] for Furloughed Employees

There are two important changes to the JRS that will affect all employers using the scheme. These are:

A. Phased reduction of the JRS – 1 August to 31 October 2020

- **June** - the JRS will continue as normal. **However, the existing scheme will close to new employees on 10 June 2020.** If anyone is to be put on furlough and this has not been actioned, this has to be completed by Wednesday 10 June 2020.
- **July** - the JRS will continue as normal; however Flexible Furloughing will be brought in from 1 July 2020 – see paragraph (B) below.
- **August** - the government will continue to pay 80% of wages up to a cap of £2,500; but all employers must pay ER NICs and pension contributions – for the 'average' claim, this represents approximately 5% of the gross employment costs incurred.
- **September** - the government will pay 70% of wages up to a cap of £2,187.50 for the hours the employee does not work – employers **must** pay ER NICs, pension contributions and 10% of wages; to make up 80% of the total up to a cap of £2,500.

- **October** - the government will pay 60% of wages up to a cap of £1,875 for the hours the employee does not work – employers **must** pay ER NICs, pension contributions and 20% of wages to make up 80% of the total up to a cap of £2,500.
- **The scheme will close on 31 October 2020**

For the avoidance of doubt, the amount being received by the individual employee does not change whilst on furlough – **the employer cannot claim 70% in September and 60% in October from the JRS and only pass on this element – this has to be topped up to remain part of the scheme**. If anyone is concerned about the financial impact of this, please contact us as soon as possible, so plans can be put in place prior to August.

B. 'Flexible Furloughing'

From 1 July 2020, employers have the flexibility to bring previously furloughed employees back to work part-time.

- The employer can decide the hours and shift patterns that employees will work, and the business will be responsible for paying wages in full while working.
 - This means that employees can work as much or as little as an individual business needs there is **no minimum time** that staff can be furloughed for.
- Any working hours arrangement agreed must cover at least one week and be confirmed in writing **prior** to restarting work.
- When claiming the JRS grant for furloughed hours, the employer will need to report and claim for a minimum period of a week, or longer to match pay runs as preferred – the same as before.
- The employer will be required to submit data on the usual hours an employee would be expected to work in a claim period and actual hours worked.
- **NOTE:** If employees are unable to return to work [shielding, self-isolating etc] or there is no work for them to do, employees can remain on full furlough under the existing JRS rules.

Again, if there are any questions in relation to Flexible Furloughing, please contact us now so plans can be put in place from 1 July 2020 and we can ensure all business are compliant prior to work restarting.

2. SELF EMPLOYED INCOME SUPPORT SCHEME [SEISS]

In line with the changes to the JRS, the government has announced a second and **final** round of payments for those who are self-employed. The full details are as below:

- There will be a second grant in August 2020, following the May grant, again based on the same 3 months average profits working from the first grant.
- The grant payable will be at 70% rather than 80% so will be a lower grant than previously paid – i.e. if your average taxable profit was £1,000 per month; your first grant would be £2,400 (80% of £1,000 x 3 months); your second grant will be £2,100 (70% of £1,000 x 3 months)
- **This scheme will close following the second payment**
- **No new applicants will be accepted** so, if the qualification criteria for the first grant has not been met, then the individual will not be eligible for the second grant.

Those that do not qualify for SEISS should investigate Bounce Back Loans (BBLs – see point 3) and Universal Credit (see point 4) as both of these remain open for new applications.

3. BOUNCE BACK LOANS (BBLs)

For those who do not qualify for either the JRS or SEISS, the Bounce Back Loan remains the most cost-effective form of alternative support available, with no repayments or interest payable in the first 12 months. Full details of the application criteria can be found in our previous mailshots:

[Covid-19 Business Support Latest Update – 4 May 2020](#)

[Covid-19 Business Support Latest Update](#)

We have had frequent questions about what a BBL can be used for – eg: whether they can be used to settle existing debts and save on interest or fund new projects. Our advice on this is as follows:

- Each individual business is **only** entitled to **one** Bounce Back Loan. If a business is thinking of using a BBL to repay an existing loan or new project, they **must** consider future cashflows and business risks in full prior to proceeding.
- The key question is therefore if the Covid-19 pandemic continues, will the business need the Bounce Back Loan to continue to fund trading? If the answer is yes - or even possibly yes - the loan should not be used to fund repaying other loans or credit finance at the current time, as these funds may be required elsewhere to keep the business afloat at a future point in time.
- While the loan is 100% guaranteed by the government, there will be an effort to retrieve funds from the business first. If the business is unincorporated (Sole Trade or Partnership) or incorporated (LLP or Limited Company) and subject to personal guarantees; then personal assets **are** at stake in the event of default prior to the government guarantee being engaged.
- Loans can be taken until **4 November 2020**, so there is scope to see how the economy responds over the summer prior to taking out a BBL.

Please do contact us to discuss the use of BBLs further, as individual circumstances will dictate what the loans should and should not be used for.

4. UNIVERSAL CREDIT [UC]

If an individual's income has dropped significantly, then Universal Credit is available from the government for those that do not qualify for other support such as the SEISS grant. The individual would need to call directly on **0800 328 5644** [*ignore the recorded messages and stay on the line, even after selecting the first option, as they do have operators but are trying to push as many people to online applications as possible*]. The agents will go through what an individual is entitled to claim for and from when – this is much easier than the automated route and the agents can suggest other credits that can be claimed alongside the basic rate of UC. Lines are open 8am to 6pm Monday to Friday, with the quietest times being 8am – 9am each morning.

Applications can be made online, but we would recommend at least trying the telephone route first, as the agents often are more helpful and can guide you through the different types of benefit available better than the internet application process.

5. OTHER SUPPORT AVAILABLE

At this juncture, we would like to remind everyone of the other support options that remain in place. Full details are available on previous mailings or by contacting us directly. These are:

- a. **STATUTORY SICK PAY RECLAIM** – Refund of sick pay paid to employees for up to two weeks, claimed by government portal.

- b. **VAT PAYMENT DEFERRAL** – Still in place at the current time, VAT payments due on 7 April, 7 May or 7 June can be deferred to 31 March 2021 at the latest. Payments due from 7 July onwards have to be met in full to avoid penalty
- c. **LOCAL AUTHORITY SMALL BUSINESS GRANTS** – Depending on industry sector; in place from April, available to those who are registered for Business rates and have an account number with their local authority. Anyone who has not been contacted directly and is registered for Business Rates should get in touch with their Local Authority to see if a small business grant can be claimed.
- d. **BUSINESS RATES 12 MONTH HOLIDAY** – Should now be in place for all eligible businesses but contact your local authority if this has not been applied thus far to see if your business qualifies.
- e. **SELF ASSESSMENT PAYMENT DEFERRAL** – The July Income Tax payment-on-account can be deferred to next January 2021 as required.

6. LEGAL PARTNERSHIP AGREEMENTS

For Partnerships and Limited Liability Partnerships ONLY

All partnerships should be supported by a Legal Partnership Agreement [an LPA] to confirm what specifically happens, and who is responsible for what, in a variety of situations that may occur – including cessation of trading, for example. Any partnership not covered by an LPA may have to rely on the Partnership Act 1890 – a 130-year-old law that has, at best, limited reference to modern day business practises.

Given the economic impact of the Covid-19 Pandemic and the threat to the continuation of partnership businesses, we recommend all such enterprises review their legal status now and take steps to ensure who is responsible for what is in place **now**, prior to any issues arising – be they economic, legal or other. Further information on this specific point can be obtained from Mrs Julie Butler [julie@butler-co.co.uk] and Mr Fred Butler [fred@butler-co.co.uk].

We appreciate there is a lot of information to get through above, so please do not hesitate to contact us if you need to discuss your specific situation. Your primary contact or our Covid-19 Business Support Co-ordinator, Mr Russell Nash [russell@butler-co.co.uk] is available across our standard working hours - and in many cases beyond! - to answer questions and ensure that every client has access to the various support needed to continue trading.

Please do contact us as soon as possible should you require any further assistance.

Best regards and Stay Well