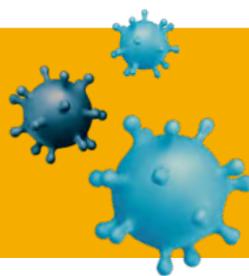


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Edited by Adam Bernstein

CORONAVIRUS JOB RETENTION SCHEME

GOVERNMENT HELP EXTENDED

No government wants to be in a situation where it is facing economic collapse as a result of a supervening event. But that's what Boris Johnson's government found when coronavirus took on mankind in March.



By Adam Bernstein



The government, in particular Chancellor Rishi Sunak, responded and depending on point of view did its best to offer individuals and businesses the help they needed to survive. None of the programmes are perfect since what normally takes years to consult on and define was cobbled together in days.

But two programmes stood out - the Coronavirus Job Retention Scheme (CJRS) and the Self-Employment Income Support Scheme (SEISS). Both were designed to keep the wolf from the door.

Coronavirus Job Retention Scheme

The former was set up to pay those on an employer's PAYE payroll, as of 19 March 2020, 80 percent of their income to a cap of £2500 per month as well as the employer's national insurance (NI) and minimum pension contributions. Under CJRS, employers paid staff and then were effectively reimbursed by the government via a taxable grant following an online application. CJRS covered the period from March to the end of June. Its goal was simple - keep employees on the books rather than see employers in the position of running out of cash and having to make redundancies.

To recap, employees under CJRS were furloughed and sent home for a minimum of three weeks. They were not allowed to do anything for the employer except train or complete statutory functions.

According to government statistics, some one million firms and 8.4 million workers have been helped by CJRS. Even so, there were some glaring omissions where those that had recently changed job and were not on a PAYE payroll by 19 March, or those such as owner-operator company directors who took their income solely via dividends, were excluded. But the system wasn't designed to be perfect, instead it sought to capture as many as possible.

While the CJRS was, and is, meant to be temporary, it's entirely clear that the economy wasn't ready for it to be withdrawn. Many had noted that if it wasn't renewed and in a flexible form then the spectre of mass redundancies would have just been pushed down the road.

And so a revision to the scheme launched on 1 July (it had been slated for 1 August) which will attempt to wean employers off the programme, move some of the cost off the taxpayer (remember the government only spends what we 'give' it) to employers, and which helps employers bring back workers as they need them.

Under the revised programme, employers will be able to decide when and how long they need staff so that the three-week minimum period is effectively removed. However, whenever an employee is off furlough and working, they will be paid entirely by the employer.

There are also changes to the amounts that the government will cover and pay. Fortunately, there is no 'cliff-edge' – instead, the changes will be phased.

Nothing will change to payments made in June or July which will leave the government paying 80 percent of pay to the previously defined cap of £2,500, as well as employer NI and pension contributions.

However, from August, the 80 percent and £2,500 cap stay but employers will have to pay the NI and pension contributions. The government reckons that for the average claim, this makes up 5% of the gross employment costs the employer would have incurred had the employee not been furloughed.

September sees a lowering of the government's cover

to 70 percent of wages to a cap of £2,187.50. On top of this, employers will pay NI and pension contributions and 10 percent of wages to make up the 80 percent total up to a cap of £2,500. This should represent 14 percent of gross employment costs.

And from October, the government will pay 'just' 60 percent of wages up to a cap of £1,875 with, again, employers paying NI and pension contributions and 20 percent of wages to the 80 percent cap of £2,500; this is estimated to be around 23 percent of gross employment costs.

There is one more major change to note: The CJRS will be closed to new entrants so that only previously furloughed workers will be able to be re-furloughed.

More detail can be read at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/888764/Factsheet_for_SEISS_and_CJRS_schemes.pdf

Self-Employment Income Support Scheme

Turning to the other programme, SEISS, this was to be a one-off grant to the self-employed who had previously submitted a self-assessment tax return for 2018/19 by 23 April. A grant of 80 percent of average monthly trading profits capped at £2500 a month covered those still trading in 2019/20, intending to trade in 2020/21 and who had a profit of under £50,000 per year. The grant which needs to be reported as taxable income was paid in one chunk of £7500 so long as the application was made between 13 May and 13 July.

The plan, like CJRS, was originally a one-time programme. But like CJRS, it was entirely clear that summarily ending SEISS would create more problems than it solved. As a result, a second grant process is to run in August where – as with CJRS – a weaning process will be used so that applicants will be able to claim a second taxable grant worth 70 percent of their average monthly trading profits, paid out in a single instalment covering three months' worth of profits, and capped at £6,570 in total.

The eligibility criteria are the same for both grants, and individuals will need to confirm that their business has been adversely affected by coronavirus. Importantly, a claimant does not need to have claimed the first grant to receive the second grant.

Further guidance on the second grant is due to be published today (12 June) which can be read at:

<https://www.gov.uk/guidance/claim-a-grant-through-the-coronavirus-covid-19-self-employment-income-support-scheme>