

Written 26 November 2020

C19 NEWSLETTER

'ECONOMIC EMERGENCY HAS ONLY JUST BEGUN'

In his spending review yesterday Rishi Sunak said the "economic emergency" caused by Covid-19 has only just begun, as he warned the virus would mean lasting damage to growth and jobs.

Official forecasts now predict the biggest economic decline in 300 years.



The UK economy is expected to shrink by 11.3% this year and not return to its pre-Covid size until the end of 2022. Government borrowing will rise to its highest outside of wartime to deal with the economic impact.

The Office for Budget Responsibility (OBR) expects the number of unemployed people to increase up to 2.6 million by the middle of next year.

This means the unemployment rate will hit 7.5%, its highest level since the financial crisis in 2009.

Amongst other announcements made yesterday, the minimum wage - which has been rebranded as the National Living Wage - will increase by 2.2% - or 19p - to £8.91 an hour, with the rate extended to those aged 23 and over. Other rates were also increased. From April 2021, 16 and 17-year-olds will see their pay go up to £4.62 per hour, from £4.55 today.

The chancellor also announced a £4.3bn package of support to help the jobless get back into work.

So what does the spending review mean for businesses?

Clearly the situation is unprecedented in peace time. The size of the cost of Covid-19 is huge and the Government will need to find more money from spending cuts and taxes just to balance revenues on a day to day basis.

So businesses can expect to see tax rises announced in the March 2021 budget.

There is already speculation that the government could raise money from changes to Capital Gains Tax, pensions relief or self-employment taxes. However this will not be sufficient to cover the Covid-19 costs so we predict there will be some corporation tax, income tax, VAT or national insurance increases.

The big decision for the government will be to decide when to stop the support to the recovering economy - and when to start strengthening public finances by tax rises. The extreme uncertainty underlines how difficult that decision could be.

Businesses should strengthen their cash flow management now ahead of the end of supports and tax changes.

The most important advice we can give our clients is to take some time to plan ahead to look at maximising revenue and minimising or streamlining operating costs. We can provide you with templates and forecasts to do this or we can help you prepare accurate forecasts based on a number of scenarios and do a “what if” exercise on your business.

Please talk to us about how we can help you make it through the next few months and preparing for recovery.

Below are details of other recent changes and announcements made by the government. We will regularly keep all clients up to date with changes and do pick up the phone if you need some clarification on how these changes affect your business.

CHRISTMAS ARRANGEMENTS

A joint statement on UK-wide Christmas arrangements from the UK Government and Devolved Administrations has been published outlining UK wide arrangements for Christmas.

They have agreed that:

- Travel restrictions across the four administrations and between tiers will be lifted to provide a window for households to come together between the 23rd and 27th of December.
- Up to three households can form an exclusive ‘bubble’ to meet at home during this period. When a bubble is formed it is fixed and must not be changed or extended further at any point.
- Each Christmas bubble can meet at home, at a place of worship or an outdoor public place, but existing, more restrictive rules on hospitality and meeting in other venues will be maintained throughout this period.

See: https://www.gov.uk/government/news/uk-wide-christmas-arrangements-agreed-by-the-uk-government-and-the-devolved-administrations?utm_source=358b41e0-20e4-41fe-948b-

[e0764c17eac5&utm_medium=email&utm_campaign=govuk-notifications&utm_content=immediate](https://www.gov.uk/government/publications/making-a-christmas-bubble-with-friends-and-family/making-a-christmas-bubble-with-friends-and-family)

Further guidance on creating a “Christmas bubble” between 23 and 27 December can be seen at: <https://www.gov.uk/government/publications/making-a-christmas-bubble-with-friends-and-family/making-a-christmas-bubble-with-friends-and-family>

CORONAVIRUS JOB RETENTION SCHEME (CJRS)

The CJRS has been extended to 31 March 2021 for all parts of the UK and HMRC has updated its guidance.

From 1 November the Government will pay 80% of employees’ usual wages for the hours not worked, up to a cap of £2,500 per month. The government will review the terms of the scheme in January.

If you have made a claim remember to submit any claims for periods up to 31 October on or before 30 November – they will not be accepted after this date.

Submit any CJRS claims for November, no later than 14 December. You can claim before, during or after you process your payroll as long as your claim is submitted by the deadline.

Remember to keep any records that support the amount of CJRS grant you claim, in case HMRC needs to check them. You can view, print or download copies of your previously submitted claims by logging onto your CJRS service on GOV.UK.

Please talk to us about making a claim, we have helped many clients through these troubled times, and we want you to know we are here to support you!

SELF-EMPLOYMENT INCOME SUPPORT SCHEME (SEISS)

HMRC has issued guidance on the third SEISS grant and specifically how trading conditions affect eligibility.

To be able to claim for the third grant, you must either:

- be currently trading but are impacted by reduced demand due to coronavirus
- have been trading but are temporarily unable to do so due to coronavirus

You must also: -

- intend to continue to trade
- reasonably believe there will be a significant reduction in your trading profits due to reduced demand or your inability to trade

You must also meet all other eligibility criteria to make a claim.

HMRC states that it expects SEISS claimants to make an honest assessment about whether they reasonably believe their businesses will have a significant reduction in profits.

Please talk to us about making a SEISS claim, we can work through your figures and make an accurate estimate of what you should expect.

See: <https://www.gov.uk/guidance/how-your-trading-conditions-affect-your-eligibility-for-the-self-employment-income-support-scheme>

PAY VAT DEFERRED DUE TO CORONAVIRUS (COVID-19)

HMRC has issued guidance on paying deferred VAT.

If you deferred VAT between 20 March and 30 June 2020 and still have payments to make, you can:

- pay the deferred VAT in full on or before 31 March 2021
- opt into the VAT deferral new payment scheme when it launches in 2021
- contact HMRC if you need more help to pay

If you want to opt into the new payment scheme:

You cannot opt in yet. The online opt in process will be available in early 2021. You must opt in yourself. Your agent cannot do this for you.

Instead of paying the full amount by the end of March 2021, you can make up to 11 smaller monthly instalments, interest free. All instalments must be paid by the end of March 2022.

The scheme will allow you to:

- pay your deferred VAT in instalments without adding interest
- select the number of instalments from 2 to 11 equal monthly payments

To use this scheme you must:

- still have deferred VAT to pay
- be up to date with your VAT returns
- be able to pay the deferred VAT by Direct Debit

If you opt into the scheme, you can still have a time to pay arrangement for other HMRC debts and outstanding tax.

Get ready to opt into the new payment scheme:

Before opting in you must:

- create your own Government Gateway account if you don't already have one
- submit any outstanding VAT returns from the last 4 years. You will not be able to join the scheme if you have not done so

- correct errors on your VAT returns as soon as possible. Corrections received after 31 December 2020 may not show in your deferred VAT balance
- make sure you know how much you owe, including the amount you originally deferred and how much you may have already paid

You should also:

- pay what you can as soon as possible to allow HMRC to show the correct deferred VAT balance
- consider the number of equal instalments you will need, from 2 to 11 months

Please talk to us about helping you with your options.

See: https://www.gov.uk/guidance/deferral-of-vat-payments-due-to-coronavirus-covid-19?utm_source=9431dd8a-ce55-43be-adff-aac5f169c75b&utm_medium=email&utm_campaign=govuk-notifications&utm_content=immediate

ENGLAND - LOCAL RESTRICTION TIERS: WHAT YOU NEED TO KNOW

This document sets out the local restriction tier system that will be in place from Wednesday 2 December, including what you can and cannot do in each tier.

The government will replace the national lockdown on 2 December with a regionally differentiated approach, where different tiers of restrictions apply in different parts of the country.

These tiers will be strengthened compared to the previous tiers in order to prevent a return to growing infections. The Government's approach is to target the toughest measures only in the areas where the virus is most prevalent or where they are seeing sharper increases in the rate of infection.

There are 3 tiers for local restrictions:

Tier 1: Medium alert

Tier 2: High alert

Tier 3: Very High alert

See: https://www.gov.uk/guidance/local-restriction-tiers-what-you-need-to-know?utm_source=5be0c9ef-14cd-4114-9f88-a7b34d04ed8b&utm_medium=email&utm_campaign=govuk-notifications&utm_content=immediate

COVID-19 WINTER PLAN

The government's plan for managing COVID-19 through the end of 2020 and into the start of 2021 was released 23 November.

It outlines:

- A route back to normality
- Controlling the virus
- Protecting the NHS and the vulnerable
- Keeping education and the economy going

See:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/937529/COVID-19_Winter_Plan.pdf