



Managing your business through Covid-19

The crisis has impacted businesses and individuals in different ways. The steps they need to take to manage their situations will vary, but there are some general principles.

Use any government help available

The Coronavirus Job Retention Scheme (CJRS) has already outstripped expectations and could cover nearly a third of private sector workers. Under the scheme the state pays 80% of the earnings of furloughed staff up to £2,500 a month. The government has regularly updated its initial guidance on the scheme, which is available to most employers and has been extended to the end of June.

The Coronavirus Business Interruption Loan Scheme (CIBILS), under which the state underwrites part of the risk of bank loans, is also available. There has been some criticism that the scheme is too complex and slow, with banks nervous about lending, or unable to handle the volume of applications. An additional loan scheme for large businesses was announced at the beginning of April.

Deferments

You can defer VAT payments due up to 30 June 2020 until 31 March 2021; similarly, the self-assessment payment on account due on 31 July 2020 can be deferred to 31 January 2021. There is no specific relaxation for corporation tax payments, but companies may apply to HMRC for time to pay. Some self-employed individuals are able to obtain a taxable grant worth 80% of trading profits up to £2,500 a month, but not all meet the required conditions. And neither the CJRS nor the self-employed scheme will help to replace the dividend income of people who work for their own company.

Some companies have been able to apply to Companies House to extend their accounts filing deadline and there are temporary relaxations to insolvency law to help with company restructuring and to reduce personal liability risk for directors.

Look to the future

When the crisis measures are lifted, you will want to be ready to rebuild your business and its finances. So this may be a useful time to reflect on your business – what it does and how it is run and managed. Do you have the right products and services or could they be improved, or altered, to respond to new markets and needs? This may be a good time for training and improving skills – many courses are available online. Do you have the right hardware, software and skills to make use of new online opportunities? If your business has made use of remote working, assess the benefits and drawbacks – continuing remote working for some staff could be beneficial.

Look after your staff: they may be your best asset. Network with others in a similar situation, and share solutions. But don't over-plan – the future holds many uncertainties.

Saving for children – JISA limit doubles as CTFs mature

With Child Trust Funds (CTFs) starting to mature in September, it's worth thinking about how young adults can deal with their cash, especially since the savings limits for Junior ISAs (JISAs) and CTFs have substantially increased for this tax year.

Maturing CTFs

The sensible option might be simply to transfer the accumulated savings across to an adult ISA, which can be done without depleting the £20,000 ISA investment limit. Even with the recent stock market fall, the accumulated amount in a stocks and shares CTF could be quite substantial.

Another option is a lifetime ISA which could help with buying a first home. Of more immediate concern might be using the funds to help with university costs, especially living expenses.

Until the account holder gets in touch with the CTF provider, the account will retain its tax-free status. A lost or forgotten CTF can be traced using HMRC's CTF tracing service.

Savings limit rise

For 2020/21, the savings limit for Junior ISAs and CTFs has more than doubled from £4,368 to £9,000, allowing families to set aside significant amounts for children, grandchildren and other young friends and relations.

If you are planning to invest the full £9,000 in a stocks and shares ISA, make sure the investments are as diversified as possible.



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Budget 2020 – not just crisis measures

The Budget on 11 March was rapidly overtaken by the progression of the Covid-19 crisis, with many of its economic forecasts set aside and further announcements made subsequently.

Speaking before 'lockdown', Chancellor Rishi Sunak focused on the economic response to the coronavirus outbreak. Tax measures took second place to crisis announcements, but some of the tax changes that were announced have important implications for businesses.

The most major was perhaps the cut from the £10 million lifetime limit for entrepreneurs' relief to £1 million with immediate effect. That corporation tax stayed at 19% was no surprise as Prime Minister Boris Johnson had previously announced that the planned cut to 17% would be put on hold to help fund 'national priorities'.

The Budget did however include two increases in business tax reliefs from April 2020:

- The structures and buildings allowance (SBA) annual rate has risen from 2% to 3%.



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- The research and development expenditure credit rate has gone up from 12% to 13%, and the introduction of a cap on the payable research and development tax credit for small companies has been delayed by a year until April 2021.

Also postponed until April 2021 are changes to the IR35 tax rules for off-payroll working in the private sector. The reforms pass responsibility

for determining a contractor's status from the individual to the organisation employing their services, as already happens in the public sector. The delay is aimed at helping businesses affected by Covid-19.

Some of the reliefs from business rates announced in the Budget to also help deal with the financial fall-out from the pandemic were subsequently fleshed out. These include (with levels varying in the devolved governments):

- A 12-month business rates holiday for retail, hospitality, leisure and nursery businesses.
- Cash grants of up to £25,000 for businesses in the hospitality and leisure sectors for properties with a rateable value over £15,000 and under £51,000 (in England).
- A one-off grant of £10,000 to help businesses that already pay little or no business rates because of existing rate reliefs.

Specific details of the similar grants implemented by the Scottish, Welsh and Northern Ireland governments are on their websites.

National insurance diverges for employers and employees

In March's Budget, the Chancellor confirmed an over 10% increase in the class 1 national insurance contributions (NICs) threshold for employees, but the same doesn't apply to employers.

The government has raised the threshold at which employees must pay NICs to £9,500. The new threshold represents a saving of £104 a year for employees, compared with 2019/20.

However, the employer's NIC threshold only increased to £8,788 a year – the first time since 2016/17 that employers' and employees' thresholds have diverged.

As a result, an employer paying a salary of £9,500 will have an NICs liability of nearly £100, unless the employee is aged under 21 or an apprentice aged under 25 (in which case no employer NICs are payable on earnings up to £50,000). There are also no NICs for employees over state pension age.

Any employer NICs may be covered by the employment allowance, which has risen from £3,000 to £4,000 a year. Employers can claim the allowance against their employer's NICs bill if their liability was less than £100,000 in the previous tax year, although companies where the only employee is a director are not eligible.

Self-employed people have also seen an NICs reduction: they now pay 9% NICs on profits between £9,500 and £50,000.

With regards to directors' remuneration, some owner-managed companies opt to pay a salary up to the NICs threshold, and dividends above that, because NICs are not payable on dividends. Whichever method is used, companies must account for employer NICs on any pay above £8,788.

Employees' state pension and benefits entitlements are not negatively impacted by the threshold increase. Credits towards state pension are given where earnings exceed the lower earnings limit, which has increased only by inflation to £120 a week.

A further new NICs exemption was announced in the Budget. To encourage employment of armed forces veterans, from April 2021 employers will not have to pay NICs on a veteran's salary up to £50,000 in the first year of their employment.

Intestacy change

The level of statutory legacy under the intestacy rules in England has changed, highlighting the importance of making a will.

Where someone dies without making a will, they are said to have died intestate. In these circumstances, the amount that a spouse or civil partner receives absolutely where there are also surviving children rose on 6 February 2020 from £250,000 to £270,000 for deaths from that date. The surviving spouse or civil partner then receives half the remainder of the estate, and the other half is divided equally between the children.

Such a distribution will not suit most people. It could force a spouse or partner out of their home, or leave them short of funds. The family will also miss out on opportunities to minimise inheritance tax by arranging the estate in a tax-efficient manner.

The Covid-19 pandemic brings home just how essential it is to make a will and keep it up to date, because circumstances and legislation can change across the UK. And remember that the intestacy rules only cover couples who are actually married or in a civil partnership. So-called 'common law' partners may be left with nothing.