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A Practical Guide to Surviving the Coronavirus Crisis for the Self Employed

The Government have moved quickly to announce a plethora of support for workers affected by the current COVID-19 crisis and a lot of information has been released in a relatively short space of time. For 95% of the self-employed population there has been good news with the announcement of the Self Employment Income Support Scheme along with the Government's time to pay initiatives and tax payment deferrals all aimed at assisting with cash flow during this difficult time. But what else can you do beyond these direct initiatives? Is there any other action you can take?

Can you carry on working?

If you are lucky enough to be able to carry on working then you should continue to work as usual. Whether you continue to draw the same funds from your business as you have in the past, whilst you are able to work is personal choice, but it may be a good idea to build a war chest in case your work is terminated unexpectedly with little notice. None of us know how long this is going on for.

Cash is King

During this difficult time, cash flow will be critical for all contractors in or out of work. Now is the time to make sure you are completely in control of your finances both business and personal.

- Ensure that you have invoiced for all outstanding work and talk to your customers to ensure you will be paid on time
- Review regular expenditure. Is there any that can be cancelled in the short term to assist with cash flow?
- If you don't have one, create a simple budget. Consider the minimum income you need to cover your bills. Remember there may be some cost savings during this time, for instance travel and eating out costs are likely to fall considerably. Do you have income and or savings that will cover this?
- Do you have Key Man or Income Protection policy? Now would be a good time to check the

- terms and see if the policy will pay an income to your business, or you.
- If you are a homeowner, approach your mortgage lender for a three-month holiday.
- If you are a tenant, talk to your landlord. The Government have promised that if you are unable to pay your rent due to Covid-19, you will not face the threat of eviction for at least 3 months. Landlords and tenants are expected to work together to establish an affordable repayment plan, taking into account your individual circumstances.
- If you pay your Council Tax over 10 months, many local authorities are prepared to move your April and May 2020 payments to February and March 2021.
- If you have outstanding personal finance or credit card bills talk to your lender. The Financial Conduct Authority (FCA), have called on lenders to use flexibility in their rules to support customers, depending on individual circumstances.

And what if you need a little extra help?

Self-Employment Income Support Scheme (SEISS)

Let's start with what the Government have announced for self-employed workers. If you have been trading for a full year or more and have annual profits below £50,000 you will be eligible for the new SEISS. Unfortunately, the scheme excludes anyone who became self-employed during the tax year 19/20 or has profits in excess of £50,000. If you fall into this category you will need to look at other alternative forms of Government support.

If you are an eligible worker the SEISS will provide you with an initial grant of 80% of your average monthly profits, up to a maximum of £7,500 for a three month period. This must be claimed before 13 July 2020 and relates to the period to June 2020. A second grant is available for a further three month period but this will be paid at 70% of average profits

to a maximum of £6,570 and is expected to be available in August.

The amount payable will be averaged over your last three submitted tax returns, up to and including the 18/19 return. If you had not filed your return for the year ended 5 April 2019, before the 23 April you will not qualify for the scheme. The SEISS allows you to continue to work at the same time as claiming. If you find yourself with less work due to the current crisis the grant will act as a top-up to your income.

HMRC should have contacted you if they believe you are eligible for the scheme and applications for the first grant are now open. Cash payments are being received between 6-10 days after the application has been made. Applications for the second grant should open in August 2020.

Alternative to Sick Pay

Being self-employed you are not eligible for Statutory Sick Pay (SSP) but if you are unable to work because you are suffering from COVID-19 or are advised to self-isolate, you can now more easily make a claim for Universal Credit (UC) or new style Employment and Support Allowance (ESA). You may be able to get **Universal Credit** if:

- You're on a low income or out of work
- You're 18 or over (there are some exceptions if you're 16 to 17)
- You're under State Pension age (or your partner is)
- You and your partner have £16,000 or less in savings between you
- You live in the UK

The new style Employment and Support Allowance (ESA) may also be available to you. New Style' ESA is a fortnightly payment that can be claimed on its own or at the same time as UC. Your (or your partner's) savings will not affect how much 'New Style' ESA you're paid and if your partner works, their income does not affect your claim. If you are eligible for new style ESA, it will now be payable from day 1 of sickness, rather than day 8, if you have COVID-19 or are advised to self-isolate.

Tax Payments

In or out of work, fit or unwell the Government have introduced tax deferral options to aid cash flow. Tax monies you have currently saved can be temporarily used to cover your daily overheads. You should be aware, these are deferrals of tax liabilities and not grants. The tax will need to be paid in the future.

VAT payment deferral

Any VAT payments due between now and the end of June can be deferred until the end of the tax year (April 2021). This is a useful, quick means to improve cash flow but the measure is designed for businesses facing distress. If you are able to pay your VAT without putting yourself into distress, we recommend that you do. The deferral is available now, and no application is required; You can simply hold back any VAT payments due over the coming three months. If you pay your VAT by direct debit you should cancel this immediately. You should still file your VAT return as normal to ensure you do not receive any penalties and also assist you planning for when this tax must be paid.

Coronavirus Bounce Back Loan

The Bounce Back Loan is designed to provide vital cash injections to small businesses in order to help them continue to operate during the Covid-19 crisis. The loan scheme will be operated via accredited lenders.

Any small or medium sized business based on the UK can apply for the loan if they have:

- Been negatively affected by coronavirus and
- Were not an 'undertaking in difficulty' on 31 December 2019

You can apply for a loan between £2,500 and £50,000. The loan is interest free for twelve months and no repayments are due in the first year. The maximum term of the loan is 6 years. The Government are offering a guarantee on the loan up to 100%.

HMRC Time to Pay

If you're facing financial distress and you have an outstanding tax liability, HMRC's Time To Pay (TTP) service may be beneficial. TTP is a long-established means for HMRC to support businesses who are unable to meet tax payment deadlines. With TTP, HMRC will discuss your business's finances and – should they approve – they will allow you to pay any outstanding tax liabilities as monthly instalments. These payment plans are agreed on a case-by-case basis.

HMRC are receiving a high volume of calls. You should only contact them if you have missed, or are about to miss a tax payment. If your next tax payment is some time away, you should contact them closer to the time to help manage demand for the service. When calling HMRC make sure you have all the relevant information to hand, wait times are high and you don't want to have to call back.

You will need:

- Payment reference numbers (Company UTR, self-assessment UTR, VAT number, PAYE accounts office reference number)

- Details of the outstanding tax liabilities
- How much you think you can realistically pay now, and each month
- Expect to be asked about your businesses and your personal income and expenditure, and assets such as bank accounts and savings. It is likely that HMRC will want to establish if your business is still viable.

You can call HMRC's dedicated helpline: 0800 0159 559. The helpline is open Monday to Friday 8am to 8pm and Saturday 8am to 4pm.

Facts are emerging on a daily basis and things are changing rapidly. Whilst we are not able to provide all the answers right now we have a team here watching carefully and we will bring you further detail as we have it. If you are a client of Orange Genie Accountancy we will keep you up to date with all significant changes as they happen.

**IF YOU HAVE ANY QUESTIONS
OR IF WE CAN HELP IN ANY
WAY, PLEASE CALL OUR EXPERT
TEAM ON **01296 468 483** OR
EMAIL [**info@orangegenie.com**](mailto:info@orangegenie.com)**