

Welcome to the Coronavirus tax newsletter. This newsletter is designed to keep you informed of the latest Coronavirus related tax issues.

We hope you enjoy reading the newsletter; remember, we are here to help you so please contact us if you need further information on any of the subjects covered.

**01245 258 689    [info@viewpointaccountants.co.uk](mailto:info@viewpointaccountants.co.uk)**

## **“FLEXIBLE FURLOUGH” STARTS 1 JULY**

From 1 July the new CJRS “Flexible furlough” grant scheme starts, which will allow employers to gradually bring their furloughed employees back to work part-time. The new scheme will be in place until the end of October and the Government will gradually reduce the amount of grant towards employees’ furlough pay to 70% in September and 60% in October.

The grant paid by the Government via HMRC will remain at 80% of the employee’s normal pay for July and August but they will stop reimbursing NICs and pension contributions from 1 August 2020.

Further details on the operation of the new scheme were announced on 12 June 2020 which are summarised below.

### **KEY CONDITIONS FOR NEW “FLEXIBLE FURLOUGH”**

Only those employees who have been furloughed and included in a claim under the original CJRS scheme may be included in a claim for the new flexible furlough.

That means they must have been furloughed on or before 10 June to allow a full 21 days prior to the end of the original scheme.

A further restriction is that the maximum number of employees that can be included in a flexible furlough claim cannot exceed the maximum number included in a claim under the original scheme. Thus if the employer has 8 employees split into teams of 4 and furloughed team A for three weeks and then team B for 3 weeks the maximum number of employees that can be included in a flexible furlough claim will be limited to 4.

Unlike the original CJRS furlough scheme there is no minimum furlough period as the intention is to allow employers the flexibility to gradually bring employees back to work. The hours/days worked will need to be agreed between employee and employer which is likely to involve amending the employees’ contracts.

Employees will be entitled to their normal contractual pay for the hours that they work and must be paid at least 80% of their normal pay for the hours that they are furloughed, even when HMRC are only reimbursing 70% or 60%.

Employers will need to notify HMRC of the employee’s usual hours and the hours worked in the claim period. The furloughed hours will be the difference. This will be complicated where the employee’s hours vary. There is currently a lack of clarity in the HMRC guidance on the calculation of “usual hours” and we will of course be available to assist you in making your claim. We will also be able to make the claims on your behalf.

Each claim made by an employer must be for a week or more and no claim period can straddle a calendar month end.

Like the original furlough scheme claims cannot be made more than 14 days in advance.

The first claims under flexible furlough can be made from 1 July and the deadline for claims under the original CJRS for the period to 30 June is 31 July 2020.

## **CORRECTING ERRORS IN EARLIER FURLOUGH CLAIMS**

You can now tell HMRC about an overclaimed amount as part of your next claim. You will be asked when making your claim whether you need to adjust the amount down to take account of a previous error. Your new claim amount will be reduced to reflect this. You should keep a record of this adjustment for 6 years.

If you have made an error that has resulted in an underclaimed amount, you should contact HMRC to amend your claim. As you are increasing the amount of your claim HMRC will need to conduct additional checks.

## **SECOND SELF-EMPLOYED INCOME SUPPORT GRANTS TO BE PAID IN AUGUST**

On 29 May the Chancellor announced that the grant scheme to support the self-employed would also be extended with a further payment based on 70% of average profits for the three years ended 2018/19, limited to £6,570 rather than £7,500.

The eligibility criteria remain broadly the same as the first grant claim. Self-employed profits in 2018/19 must not exceed £50,000 and must be more than 50% of your total income.

If that test is not met, then the same £50,000 and 50% tests are applied to average profits and total income over the three years (or shorter period) to 5 April 2019.

Self-employed traders need not have claimed a grant under the old scheme to qualify for the August payment and are required to confirm that their business continues to be adversely affected by Covid-19. The deadline for making a claim for a grant under the original SEIS scheme is 13 July 2020. Note also that where the employee is provided with a motor car with zero CO2 emissions there is no taxable benefit in kind for 2020/21.

## **HMRC MAY ALLOW TAX REFUNDS FOR ANTICIPATED COMPANY LOSSES**

HMRC have recently announced that they may allow limited companies to make claims for loss relief and tax refunds even though the current accounting period has not yet ended and the corporation tax return has not been submitted. This will be available to companies of all sizes but they will be required to provide evidence to support the claims. Note also that trivial benefits of no more than £50 provided to employees need not be reported.

### **REFUNDS OF QUARTERLY INSTALMENT PAYMENTS**

Companies with profits in excess of £1.5 million are required to make quarterly instalment payments (QIPs) of their corporation tax liability much earlier than the normal payment date which is 9 months after the end of the accounting period.

For year ended 30 June 2020 a company with profits between £1.5 million and £20 million would be required to pay 25% of the estimated liability on 14 January 2020, 50% on 14 April with further payments due on 14 July and 14 October 2020. Where profits exceed £20 million the payments are due 3 months earlier.

If the same company now anticipates that it will make a loss for year ended 30 June 2020 they may be able to have the tax paid in January and April repaid and the further QIPs reduced to nil. Furthermore, HMRC may allow the losses to be carried back and set against the previous accounting period ended 30 June 2019 resulting in a further tax repayment even though the 30 June 2020 corporation tax return has not yet been submitted.

Note that the £1.5 million and £20 million limits referred to above are divided by the number of companies under common control so for example the limit would be £500,000 per company if there are 3 companies in a group.

### **CARRY BACK TO PREVIOUS ACCOUNTING PERIOD**

Where company profits are below the £1.5 million limit then QIPs will not be due but they may still be able to make a claim to set a loss against profits of the previous accounting period and obtain a tax repayment where losses are anticipated. We can of course help you make a claim and negotiate a tax repayment with HMRC.



### **FURTHER INFORMATION OR ADVICE**

If you would like further information or advice about any of the issues raised in this newsletter then we would be delighted to hear from you.

**[steve.bird@viewpointaccountants.co.uk](mailto:steve.bird@viewpointaccountants.co.uk)**  
**[vicky.coffman@viewpointaccountants.co.uk](mailto:vicky.coffman@viewpointaccountants.co.uk)**