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RELIEF AS SUNAK EXTENDS FURLOUGH SCHEME UNTIL THE END OF OCTOBER

Bodies representing UK businesses have described their relief after the job retention scheme was extended until 31 October.

Chancellor Rishi Sunak said the Government will continue to pay the wages of workers on leave because of coronavirus.

Furloughed employees, therefore, can continue to receive 80% of their monthly wages up to £2,500 until the end of October.

The Treasury said 7.5 million workers – around a quarter of the UK's workforce of 33m people – were covered by the scheme.

From August, furloughed workers can return to work part-time with employers asked to pay a percentage towards their wages.

The Confederation of British Industry said the extension "avoids a June cliff-edge and will protect millions of jobs".

Mike Cherry, Federation of Small Businesses chairman, said:

"This lifeline has been hugely beneficial in helping small employers keep their staff in work, and its extension is welcome.

"Small employers have told us that part-time furloughing will help them recover from this and new flexibility is welcome."

Adam Marshall, director-general at the British Chambers of Commerce, added:

"The extension of the job retention scheme will come as a huge help and a huge relief for businesses across the UK.

"The changes will help businesses bring their people back to work through the introduction of a part-time furlough scheme."

Speak to us about the furlough scheme.

BUSINESSES CLAIM BILLIONS IN STATE SUPPORT TO EASE CASHFLOW FEARS

UK businesses have claimed more than £22 billion in Government loans and guarantees to support their cashflow during the coronavirus crisis.

That includes more than £14.18bn in 464,393 bounce-back loans for small businesses, just two weeks after the scheme launched.

Bounce-back loans worth 25% of a business's turnover, up to a maximum of £50,000, have been available since 4 May 2020 with the Government paying the interest for the first 12 months.

Around £7.25bn has been paid out to 40,564 UK-based firms with turnover of no more than £45 million through business interruption loans since the scheme opened on 23 March 2020.

On a smaller scale, large firms with turnover of more than £45m have secured in excess of £590m through coronavirus large business interruption loans.

From 27 April 2020, businesses with turnover exceeding £45m are eligible for loans of up to £25m, while firms with turnover of more than £250m qualify for £50m.

Carolyn Fairbairn, director-general at the Confederation for British Industry, said:

"The path of the virus is unpredictable, and much change still lies ahead. All schemes will need to be kept under review to help minimise impacts on people's livelihoods and businesses.

"The greater the number of good businesses saved now, the easier it will be for the economy to recover."

Get in touch to discuss your cashflow.

CORONAVIRUS IMPACT PLACES THE UK ECONOMY INTO 'SIGNIFICANT RECESSION'

The UK is likely to be in the deepest economic recession since records began, after gross domestic product (GDP) contracted by 5.8% in March 2020.

Figures from the Office for National Statistics showed the economy shrank by 2% in the first three months of 2020, with bigger quarterly slumps set to follow.

Lockdown measures were imposed in the UK on 23 March 2020 in a bid to keep a lid on the coronavirus pandemic.

Chancellor Rishi Sunak said last month that "just a few days of impact from the coronavirus" in March has put the economy into decline, while conceding "the UK economy will face a significant recession this year".

A technical recession is defined as two consecutive quarters of negative economic growth, with the UK last experiencing one in Q2 2009.

Economists said it was genuinely difficult to overstate the economic damage caused by COVID-19 since March 2020.

Tej Parikh, chief economist at the Institute of Directors, said:

"These figures provide a sobering first glimpse of the economic turmoil caused by the outbreak."

Suren Thiru, head of economics at the British Chambers of Commerce, said:

"The speed and scale at which coronavirus has hit the UK economy is unprecedented and means the Q1 decline is likely to be followed by a further, more historically significant, contraction in economic activity in Q2."

The 2% economic contraction in Q1 2020 was slightly better than the Bank of England's forecast of a 3% drop in the first three months of the year.

However, the Bank expects a 25% fall in GDP for the three months to June 2020, and for the UK economy to recede by 14% by the end of 2020.

Should that come to fruition, that would be the UK's deepest annual downturn since 1706, according to the Bank's reconstructed data.

It also said the fall in economic activity should only be temporary, and GDP is expected to pick up "relatively rapidly" once social distancing measures are relaxed.

Talk to us about your finances.

HMRC RELAXES STANCE ON HOME OFFICE EQUIPMENT UNTIL 2021/22

HMRC has relaxed rules that usually restrict reimbursement for spending on office equipment for the rest of 2020/21.

This should help employees avoid receiving a tax bill relating to working from home during the coronavirus lockdown.

Since the lockdown restrictions were imposed in the UK on 23 March 2020, homeworking has effectively become the norm for millions of workers.

Many employees are expected to continue working from home for the foreseeable future and may require additional equipment.

Employers can reimburse workers for purchasing items like monitors, keyboards, desks and chairs to create an office-like space at home.

In normal circumstances, unintended tax consequences may arise where employers recompense workers for the purchases of these items.

Fortunately, the Government has clarified this will not be the case with effect from 16 March 2020 to 5 April 2021.

Jesse Norman, financial secretary to the Treasury, said "a temporary tax exemption and national insurance disregard will come into effect".

The Association of Taxation Technicians (ATT) welcomed the move to help employees avoid being hit with a tax bill as a result of homeworking.

Jeremy Coker, president of the ATT, said:

"In the current circumstances, some employees may have purchased equipment at their own cost to homework as effectively as possible.

"Employers may even advise this and offer to reimburse their workers for the costs afterwards.

"Reimbursing the cost of office equipment would, under existing rules, be taxable and result in a tax bill for the employee.

"This is clearly unwelcome, and the announcement of a temporary exemption from income tax and national insurance is fair and welcome."

The move creates an income tax and class 1 national insurance contributions exemption for employer-reimbursed expenses that cover the cost of relevant home-office equipment.

Contact us about coronavirus-related support.