

Dear Chancellor (open letter)

Firstly, may we congratulate you on the speed of your response to the COVID-19 pandemic.

We are in unprecedented times and recognise the challenges you are facing when determining how government support and intervention is best structured.

While we support many of the measures announced to date, we are concerned about large sections of the business community are suffering and will not be provided with the help and funding they need. We are already seeing our clients under stress and we risk seeing many thousands of small businesses fail without prompt action.

Specifically, we believe the following need to be addressed:

Small Businesses

Our economy is built on the spirit of enterprise and small businesses are a vital part of this. Your measures include the introduction of the Coronavirus Job Retention Scheme. This will be of great value to employers, but unfortunately it does not reflect the reality of how small businesses operate.

Under the proposals it will be very difficult for sole/small company directors to be eligible for furloughing. It is unrealistic to expect them to fully 'hibernate' their businesses – they will need to stay in touch with customers, suppliers, contacts, etc even if trading has ceased.

Even if they can furlough, they will only be eligible to receive 80% of their remuneration under PAYE. The majority of these company directors will receive the bulk of their income through profit distribution via dividends, yet there is no way to reflect this and claim under any of the schemes you have proposed.

Unless action is taken, the stark reality for many will be minimal claims under CJRS, a collapse in their personal income, failing companies and real hardship for them and their families.

Self-Employed

There are millions of self-employed across the UK, a huge part of our small business community. The proposed Self-employment Income Support Scheme you announced will go a long way to protect them, but there are several gaps to consider.

The proposal to look at three years for averaging purposes – 2016/17, 2017/18 and 2018/19 will leave those that have started to trade since 5th April 2019 stranded financially, with no route to funding under this scheme. It seems fundamentally wrong to penalise based on the date trading started. While we accept it is more difficult to support without a history of filing with HMRC, there must be a way to support these individuals and their businesses.

We would also question the £50,000 trading profit threshold. We can see the need for a cap on funding, but is it fair to have a 'cliff-edge' approach to eligibility for the scheme? The underlying assumption seems to be that those with higher profits will get through the crisis without support. We do not believe that this will be the case for all.

Speed of Funding

The schemes above will help many businesses, but by no means all those that truly need support. Even if they are eligible, there will be delays before funding can flow through the systems you will need to create.

Some will look to the newly created Coronavirus Business Interruption Loan Scheme for support. It's another key measure that we fully support, but we are already hearing concerns around how banks and lenders are approaching lending propositions and the speed of their response.

We understand the magnitude of what will be needed, but we fear that for many the funding will simply be too late. Are there any emergency funding measures that can be put in place in the short term to help, as we have seen in other economies?

Summary

As we mentioned, we do see the challenges the Government faces in dealing with this crisis. The measures announced will help many, but we would urge you to review your approach to the small business and self-employed sectors. They represent millions of businesses, families and jobs and underpin much of the economy.

You explained that "no one will be left behind". We need to make sure that we are all true to this statement and that these sectors are supported and protected. We risk losing large parts of them, but will need them intact, fully functioning and working hard when the recovery does come.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Daren Moore', with a stylized, cursive script.

Daren Moore FCCA

On behalf of the Directors, franchisees and employees of the TaxAssist Group