

27<sup>th</sup> March 2020



## **Directors and the Coronavirus Job Retention Scheme Grants**

We have receiving a high volume of queries from directors of owner managed business and if they are able to claim back 80% of their wages via the Coronavirus Job Retention Scheme.

Unfortunately, little guidance has been published by HMRC to assist Directors. We must interpret what has been released by HMRC.

### **Are Directors employees of the company?**

It is our view that Directors are employees. They are included in the company's PAYE scheme, have contracts of employment, subject to tax and national insurance and are covered by the Employment Rights Act.

### **Working during a period of furlough**

For the Job Retention Scheme grant to apply, an employee should not undertake any work. During a period that the company cannot trade, do the directors undertake work, for example ensure the payroll is process, paying employees and key suppliers?

We have interpreted the guidance that when you are furlough you are not allowed to make money or provide services to your employer. We would argue that ensuring the payroll is processed and similar tasks are not generating money for the business and should not be considered as 'work'.

### **Dividends**

Many owner managed businesses pay a small salary and the balance as dividends. It is the view of our professional body, the Institute of Chartered Accountants in England and Wales that the job retention grant does not apply to dividends. When we receive further guidance, we will advise you.

### **Advice**

It is our view that preventing directors from claiming would be grossly unfair. Support of up to £2,500 per month is available for employees. The same level of support will be available to the self-employed. Why should directors of owner managed businesses be different?

We are encouraging our clients to document every decision they take and treat directors in the same way as employees. Notices should be issues to the directors of the company's intention to place them on furlough. Notes should be kept documenting why the company cannot carry on its' trade. This may include direct instructions from the Government, advice issued by trade bodies, instructions from customers or supplies etc.

We believe that over the coming weeks, further guidance will be issued. We will update you accordingly.

If you believe that your company cannot trade, issue the furlough notices, document all of your decisions and when the time comes, make the appropriate claim to HMRC.

There will be delays in receiving cash grants from the government. You should be considering your cashflow and make the relevant enquiries with your bank for support for example overdraft facilities.