

Furlough Regulations and Requirements

with Kate Brown

16th June 2020

TRANSCRIPT

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Steven:

Well, I'm joined by Kate Brown for a second time to talk to us about the business support that's available to you to help you through the lockdown, the coronavirus problem. Kate, welcome back.

Kate:

Yes. Thank you for having me back. It's the third time. Yeah.

Steven:

Oh gosh. I thought it was a second though. You're a veteran now. We're going to be talking principally about the furlough arrangements today. Aren't we, because many of our business owners will have staff that they've had to put on furlough and they might be a little bit of interest still about what directors should be expecting over the current support? There was some change to the furlough arrangements a week or so ago. Do you want to run us through them?

Kate:

Yes. They've actually introduced a new scheme. So, the old scheme is finishing on the 30th of June with the new scheme starting on the 1st of July.

Steven:

Does that mean we move across to a new scheme automatically? Or does that just mean new furloughs?

Kate:

No, no, actually quite the opposite. It means that you have, you can't go across that period. You have to do your final claim, the 30th of June, and then start a new claim on the 1st of July, because the fact that it is different regulations, but you can now start having your staff back flexibly. So, you can,

Steven:

It's quite intimidating. I've got this wonderful accountant who does all my furloughing paperwork for me, which is great. What's the implication for the business owner? Who's not using a professional like yourself to do the paperwork?

Kate:

No, I think it would be pretty much the same as the new one. So, the main things to look out for the is the fact that you can't go over that month period. So, it is a new scheme and going forward because the fact that they're changing each month, the regulations are changing. So, each claim that you do going forward has to be for each calendar month. Right?

Steven:

What happens if you, is there a deadline by which you have to have done the paperwork in order to get past the end of June?

Kate:

The end of June one, you have to have had at least one member of staff furloughed for three, a minimum of three weeks to be able to go into the new scheme. So if you, haven't used the furlough scheme you're too late because they should have been furloughed by the 10th of June. So, qualify for that three weeks before the end of June.

Steven:

But when the new scheme stops, presumably we've, you know, we've got to make a new application under the

Kate:

Yes. I mean, I know a lot of people are doing monthly applications anyhow, for cash flow purposes. It's not going to be too much more. I don't know. The rest is just perhaps thinking, Oh, I'll just do one claim every other month going forward. You won't be able to.

Steven:

Yeah. And so, sorry, I'm just trying to get to my points on this one. With the new arrangements in July, is there a deadline in July by which we have to have got the application in? If we can, you have to get the money for all furloughed stuff in July, or can we do it at any time during the month?

Kate:

You can't do it until July, but no, again, they'll be paying it within the six working days. Right. So, you have to have got any furlough application for the first furlough grant in, by the end of July though.

Steven:

Yeah. I guess that was my concern is that we might miss the deadline and therefore not get your money. So that's an, that's an important one then. Okay. I imagine most people have been claiming it as quickly as they can.

Kate:

Yes. Yeah. So yeah. I don't think it will apply to many people, but

Steven:

So, what about this business over using our staff for part of the time?

Kate:

Yeah. The new scheme, you're going to have to divide your staff's working week into hours, which a lot of people do anyhow. And I understand the new form will require you to actually put the hours worked and the hours furloughed as opposed to days worked and days furloughed.

Steven:

Okay.

Kate:

So yes. You can bring your staff back. Yeah. Say you've got someone who's normally five days a week. You can bring them back two days a week. You know, if they've got childcare issues and can't give you the full five days or if your business isn't quite up to speed yet. Cause obviously you've still got all sorts of regulations that you've got to contend with. So, you might not have the work to bring somebody in.

Steven:

Is there a minimum amount of time or a maximum amount of time that we can follow them for, or have them back in?

Kate:

It's still the three weeks still the minimum

Steven:

I meant working week. I mean, is there a minimum number of hours we can employ them for a maximum number of hours or.

Kate:

Not that I'm aware of.

Steven:

And of course, we can just lie, can't we. We can say, we've been, we haven't done it. And they can come in and work. And we just claim money from the government.

Kate:

I would not advise that they are going to be looking into people's claims and they all come down like a ton of bricks on anyone who has taken COVID grant money that they're really not entitled to. It really isn't in the, you know, nature of what it was designed for. And they will be taking no prisoners.

Steven:

Yeah. I'm not advocating breaking the law. Obviously. It still rankles with me that staff, who don't actually bring in money to the business couldn't be used. And therefore, people have heard me rant about this for ages. I'm using people from other businesses. You have no expertise, perhaps they're furloughed from other businesses to work in my business because they can do that. But none of my own staff can work in the business. It's barking, mad, but anyway, what do we, what do we need to know then? What are the changes are afoot or have just been made that are relevant to us?

Kate:

Well, they're tapering it off as well. So, the first July and August, you'll still get your 80%, but then they're reducing it down to 70% and then 60%. But you've still got to pay your furlough to staff the 80%.

Steven:

Oh, I see. So

Kate:

You've got to make up that difference yourself.

Steven:

Right? They can't take a voluntary pay cut or if they did, I guess they would only get 70% of that.

Kate:

Yeah. Yeah. Yeah. And part of the furlough process, you will be confirming that you will be paying them that money. I'm sure there is going to be, as the application at the moment says, confirm you are going to be paying this money in full to your client or to your employees. I'm sure there will be a button when it goes down to the 70% saying I confirm I am paying my employees a minimum of 80%.

Steven:

Yeah. But it is only the 80%. We're not required to give them their full salary at that stage.

Kate:

No, not while they're furloughed, obviously, if they're doing any work for you, that period that they're actually working, you've got to pay them their full wage. Yes.

Steven:

Yeah.

Kate:

And also being mindful of anyone that you've got on minimum wage as well, where your furlough calculations might be on the old minimum wage. Right. But obviously then when they're doing any work for you, they're going to have to be on the new minimum wage.

Steven:

When did that change?

Kate:

1st April.

Steven:

Okay. So, what's the, what's the minimum wage right now.

Kate:

It's now £8:72.

Steven:

So 50p an hour - it's not the end of the world. Is it okay? Is it planned that every month the furlough amount will go down another 10%? Or is that not clear yet?

Kate:

Well after the

Steven:

You said 70%, 60%, I think August or September. And then what?

Kate:

Yeah. so that's, that's July, August, September, October. So yeah, at the moment it's got an end date at the end of October, but then this one had an end date at the end of June. So, we'll know more what's going on that's right near that deadline, whether they need to extend it or whether they'll say, you know, everyone should be,

Steven:

Especially, especially if everything goes Wuhan on us and we get a second spike in the coronavirus. A couple of questions for you. The staff on the new scheme part time, is there a minimum number of hours or is there a percentage? Does everyone we bring back, have to be on the same percentage? I'm not quite sure what that,

Kate:

No, there's not a minimum. As far as I'm aware, you can split them as much as you need to fit in with your business.

Steven:

Right.

Kate:

And what was the second part?

Steven:

Does everyone we bring back have to be on the same percentage, which I guess they're all in.

Kate:

No, you potentially have some staff coming back full time, depending on what they're actually doing as well. And you know, what their role in your business.

Steven:

It seems that people were expecting a lot more from the chancellor on the furlough scheme recently. Are we still waiting for more information in the near future?

Kate:

They did issue more guideline guidance on the 12th on this one. But no, I think that's it. Certainly up to the end of October and I'm sure as we get near the end of October, they will. Well, they usually give enough notice that if you do then need to make staff redundant, you've got your relevant time that you need to do.

Steven:

What's the process? If you make staff redundant, then presumably once you say they're redundant, they can't be, they can't be furloughed while they're on their redundancy period. Can they?

Kate:

Yes

Steven:

Right. So if you have to give people two months' notice, for example, they can be furloughed during that two months and get the money. What about redundancy pay? I take it. That's not, changed.

Kate:

That's why they've done it this way. That's why they've given you the first two months at the 80% before they're starting to tail it off so that if you do need to make people redundant, because you know that you have got no income at all and you're not going to be able to make it that 10%. Then you've got your statutory notice period.

Steven:

Right. Okay. Adams asked if we take someone back part time, can we change this each week - one week 20% next week 10%.

Kate:

Yes. So long as you keep a track of it so that when you do that claim at the end of the month, you can justify which hours. And that's why I think they've done it on an hourly basis. So I'm assuming that when you do the application at the end of the month, it's going to ask you for how many hours they've worked and how many hours they've been furloughed, right? Yeah.

Steven:

Actually, in terms of Adam's question, you could do it on a daily, not just weekly basis. It can be whatever you need at the time. Zara says, what date can we start to bring back the part-time furloughed staff

Kate:

1st of July.

Steven:

Really? You mean, if I said to my furlough staff now, I'm taking you off furlough, I'm not allowed to do it?

Kate:

Oh, you can take them off furlough. Yes. But flexibly taking them off furlough, no, but to be honest, quite a, a big chunk of my clients. Probably two thirds. My clients are finished with the furlough system altogether now and the staff fully back now.

Steven:

Well, that's, that's encouraging for them. Are we talking by any chance about osteopathy and chiropractic practices or are we talking about other businesses?

Kate:

We're talking about other businesses that aren't quite so affected by all the regulations

Steven:

Someone says, if we make someone redundant, do we have to pay a hundred percent during the notice period? And can they use holiday up in that period as well?

Kate:

That's probably more an HR question. I am not, if you give, if they have their holiday, I know that holiday has to be not at the furlough rate. That's got to be at the hundred percent. Right. because it's holiday, it's not furlough. But no, I'm sure you can just be paying them their furloughed rate While they're on redundancy.

Steven:

Of course, that actually is news to me. I didn't realise that holiday had to be paid at a hundred percent. I frankly can't see the difference between that and the furlough, but right. I hope Claire's paying attention to that. Cause I don't think she knew that either. And if she did, she didn't tell me! What about staff says Alpa who have booked leave? Can we claim the 80% for those hours?

Kate:

Yeah, yeah, yeah. You can still claim your 80%. You've just got to pay them.

Steven:

You've got to make it up. Right. Of course.

Kate:

But then obviously they haven't got that time to take off when they come back to work.

Steven:

Yeah, absolutely. And we can start making use of them. And someone says, sorry to sound stupid - You won't to send any more stupid than me when it comes to accounting as Kate will bear witness,

Kate:

You won't have me back!

Steven:

Sorry to sound stupid. But when you say we have to pay at a hundred percent rate, that means we pay 20%. Is that right? And you've just answered that - it's furlough money. We have to top it up with 20% and that makes eminent sense. Well, there is more stuff to this furlough than I thought there was, which is interesting. Just before we came on air, you were talking about the coronavirus business interruption loans scheme, the CBILS scheme. What's your opinion on that? How's that going?

Kate:

I don't know anyone who's successfully managed to get one.

Steven:

And my opinion was that actually the bounce back loan is a better option. So why,

Kate:

And far better, far easier to access. It's better all around.

Steven:

I think this must be, this must be Claire who says this She says, of course I knew all that Steven with Kate as my accountants and our amazing bookkeeper. I'm seriously UpToDate. It's just that you aren't. Thank you very much for that, Claire. Well, you know, I'm, I'm perfectly capable of doing sums, but I'm very, very happy to have experts doing my sums for me. And we've got a phenomenal bookkeeper and I think you will bear witness to that as well. She gives you all the help you need and you keep us on track. Renegade weasel here, there are funny lot out there. The Vimeo crowd used to be, was at one point known as the vegetable patch in here, because they will give themselves vegetable names. I'm not sure where the Renegade weasel comes from, but, or she says, sorry, I may have missed the answer to this. But if a staff member is on the new furlough, they can work part time. What's the limits of parts time? And there isn't any, cause if they're working a hundred percent, then you have to pay them for that. And if they work, then you pay them for the 20%, the normal way. Kerry says we have brought a receptionist back. Do we now have to furlough for three weeks to put him back on the part time furlough scheme? Ooh. If they've already brought them back full time, Kate.

Kate:

Right. Have they been furloughed? Yes. And so, yeah, they've only just been bought back, so, But they'd been bought back full time. So long as they're going to be doing the flexible working for the three weeks then yeah. You should be fine.

Steven:

Flexible working for the next three weeks, which would mean they'd still be on furlough.

Kate:

Yes. Yeah. She can take people on and off furlough. Okay. I mean, that's what some people were doing. In any case where they had too many staff, but it a bit, one of my clients who runs a

veterinary practice, so it's sort of 24 seven, she was rotating her. But the nurses say that they did have down downtime, but

Steven:

So there's no problem with them putting them on the new furlough scheme, which is, I guess,

Kate:

No, it's just, if you hadn't used the old furlough scheme and then wants to use the new one, you can't.

Steven:

I can't imagine for the life of me, why Mark asks this question. I mean it completely baffles me(!), but he says, how are they going to police this all? Will they call you or ask for records, et cetera.

Kate:

Well, given that you do all your submissions every month, with your payroll, they've got a fair idea of what's being paid to your employees. And when you do your furlough applications, you are putting the name and number of all the people that are being furloughed. And it's not going to be that tricky to double check things. I know, but they can probably do a sort of data check. And then if anything flags up from that, I'm sure they will be digging deeper and they will probably do spot checks as well.

Steven:

Yeah. I can see from what Mark's saying, it would be very difficult to prove whether someone was working or not working.

Kate:

Mmm.

Steven:

But that said you can't break the law, can you, and of course it will only take somebody to be with you and just blow the whistle and then you will be in deep, deep guano. So back to part time furlough Sarah says, so in the part-time furlough, we can get people in and out as we like, is that right?

Kate:

Yes. So long as they've done a minimum of three weeks. Yeah.

Steven:

And of course you pay them for the time that they're in at their normal rate. Yeah. I mean, I'm sorry if it sounds as they were going over the same things again and again, people who just really unsure about how to do this. Shirley says if considering redundancy for furloughed receptionist for a, for a furloughed receptionist, what's the position regarding redundancy payment. If she'd only been employed for 22 months at the start of her furlough, does she now qualify for redundancy pay as anybody normally would after being an employee for two years?

Kate:

Again, that's probably more an HR question. I would say yes, because I know you're saying the same way that you're accruing your holiday while you are you still having your employee rights, you're not getting your full pay.

Steven:

And as you, as you said to that, I mean, it doesn't change your employed status just because you're on furlough. So therefore you were furloughed after 22 months, three months ago, you're now well over the two-year limit. So the statutory requirements will apply. By all means Shirley go and check that with an HR expert. But I really, really doubt that you'll find any other advice for that because you've got an employee who's been on your books for more than two years.

Kate:

Yeah. She's still doing your RTI submissions and HMRC know they're an employee. So

Steven:

I think last time you were on, we had Donna with you didn't we from DOHR so we had the balance of accounts and HR.

Kate:

Yeah, no, no. It was with Claire Elsbie.

Steven:

Oh, right. Okay. No, that's right. Yes. We did have Donna at one point and a lot of these questions do look a bit HR-ish, but this anonymous person says, can we ask or tell a staff to take holiday while furlough? And how does that work? I'm sorry. I know you've answered this. I'm just wondering how to take it all in. How much notice do we have to give them if we can tell them to take holiday.

Kate:

I understand that you can tell them to take holiday depending on the terms of your employment contracts. And again, that is more of an HR one, but yes, you can ask them to take holiday so that they're not accruing loads of holiday and then come back to nor will it go, Hey, I'm off for a month's holiday now just when you need them.

Steven:

I don't know. I mean, Claire may know the answer to that because I know that one of our furloughed staff has been asked to take holiday, certainly at least one of them. And maybe she's already explored that with, with someone in HR. Maybe she can send something in. So I'm just going to talk about loans again, because I've got no more questions at the moment on the furlough business, but in terms of the coronavirus business interruptions loan system, the CBILS system, there's more hoops than the bounce back system, difficult to get, And it's not as advantageous as the bounce back loan. Is it worth applying for? Is there any reason why you would go for that instead of the bounce back?

Kate:

No, not that I can think of. The only way reason you'd go for that is if you're a large company and your office, and then you're restricted by the 25% turnover.

Steven:

And of course, the CBILS is a much higher total that you can apply for if you're a suitable size business isn't it.

Kate:

Yeah. Right. I should imagine that the vast majority of people in your line of work going, you know, the bounce back loan is going to be more than adequate.

Steven:

Cause that's based on turnover, not profit. And basically it's 25% up to 200,000 pounds

Kate:

Between 2000 pounds and up to 25% of your turnover to 50,000 pounds.

Steven:

Yeah. Which is a sizable, helping hand, nothing to pay on that at all for 12 months and no interest for that 12 months and then two and a half percent once the interest starts to accrue.

Kate:

Yeah. And it's got to be repaid within six years.

Steven:

Yeah. Which is the best loan deal anyone will ever get. I imagine. Yeah. There's certainly, I have not seen anything like that over recent years, Zara says we're retiring a person. How do we deal with accrued holiday?

Kate:

You have to pay it.

Steven:

I guess people aren't thinking, well, we haven't got any money for this at the moment, but there isn't, other than the bounce back loans to cover things like that, there isn't any sort of free money available from the government along terms of along the lines of the furlough system is there?

Kate:

The same thing though. They can make them take their holiday. So they're then only paying the 20% element, but still claiming back the 80% of that. Yeah.

Steven:

Okay. Alpa has come back in to say that you mentioned earlier on that furlough has to be for three weeks. Could you elaborate on that? And I think that's the eligibility for the next stage.

Kate:

Yeah. It's just, I mean, that's the same as the first phase of furlough you have to furlough each individual for a minimum of three weeks,

Steven:

But you said you couldn't put somebody onto the new system if they hadn't already been eligible under the old system. So, and it's too late to do three weeks now. So anyone who has not been furloughed yet, would not be eligible under the new scheme.

Kate:

Yeah. It does make the question that if you hadn't actually furloughed any staff up to this point, why on earth are you needing to furlough them now?

Steven:

Yeah. Yeah, of course. So the Renegade weasels back on the notes here, if a business makes a staff member redundant, or if they decide to leave after having received furlough, what happens?

Kate:

Nothing.

Steven:

I'm just trying to, I'm trying to work that one through. So after they've had furlough payments, redundancy is normal. Isn't it? If they're entitled to redundancy, pay, you have to pay it.

Kate:

I wonder whether they're wondering whether you have to pay the grant back because then they're no longer an employee

Steven:

But you don't do you.

Kate:

If they can clarify exactly what they're asking, but they wouldn't have to pay the grant back. No, the employee then left or was made redundant.

Steven:

Alison says, so I could work one week, this month clean for three weeks furlough and then start again on the part time furlough scheme in July. Good luck with the arithmetic on that one. Cause there's not three months, not three weeks left in this month. So what's the answer to Alison, if she's not been furloughed already,

Kate:

If she's not been furloughed already, she must have been furloughed from the 10th of June to get her 3 weeks in to be in the phase one to then qualify for the phase two.

Steven:

Oh, here's that thorny question has come up. I mean, the one we talked about for a long time, last time, Kate if we own our own business and we furloughed ourselves, can we still come back part time if we wants to?

Kate:

Yes. As far as it's all employees. So if you are an employee of your own company, it's still the same rule.

Steven:

I haven't paid any attention to this, but how does it affect directors?

Kate:

Okay, well that's still employees,

Steven:

Right?

Kate:

Okay.

Steven:

I thought the rules always were that even under the furlough scheme, directors were allowed to do what they need to do to keep their companies running.

Kate:

Yeah. They could do always do the statutory things like file their tax returns, but you can't do any business promoting work. So you can't be advertising. You can't be, you know, doing Facebook posts. You can do training, but you can't be doing networking or anything like that. You can't be doing anything that's actually promoting your business.

Steven:

Right. What about a director who has been administering the staff, the practitioners in their business, you know, sorting out how they can come back into the business and making sure they get paid. That's acceptable. I take it.

Kate:

Yeah. You're starting to get a bit, I think if you're starting to do that, realistically, that director is working. They're not furloughed.

Steven:

Right. But if they didn't do it, then the staff couldn't be paid.

Kate:

Yeah. But if they're starting to sort out how people are coming back,

Steven:

Okay. That might disappoint a few directors.

Kate:

Well, so it's a grey area and you'd have to look at each case individually and see exactly what they're doing. But I thought with most people you'd bring yourself back before you'd bring your staff back anyhow. As directors are paid at the lower, late rate of salary. Anyhow. So you're not getting that much money from the furlough scheme for them. And as the owners of the business, as a general rule, you make yourself busy before you start bringing other people in

Steven:

The Renegade, weasel has clarified, essentially he or she asks if a business, put the staff member on furlough with no intention of bringing the staff member back that would be really cynical, but I'm sure some businesses have done it. And how does that affect them? Because he was asking about redundancy and so on.

Kate:

Yeah. Well, as far as I'm aware, that's permissible. That's why I think partly why they're doing this tapering. Yeah.

Steven:

To be honest, I don't think it's cynical. Is it if, if your business is having to contract and therefore you're having to get rid of members of staff, actually, it's a very humanitarian thing to do to say, look, we're going to keep you on furlough.

Kate:

Yeah. Yeah. Because at the moment you can't really go out and look for something else. But by the end of that, hopefully this sort of opens up enough that you can go out and find another job. Absolutely potentially gives them more opportunity to actually be looking around and seeing what else there is out there.

Steven:

Yeah. And what about the bounce back loans then? What have you heard about people's success with those?

Kate:

Yeah. Most people I know I've got, yeah, I've managed to successfully get one, you know, they seem to be very popular and quite easy to get, so

Steven:

I hope you're helping them make good use of the loans.

Kate:

Yes. They are meant to be used for business purposes.

Steven:

Claire wouldn't let me buy my motorbike. I was really disappointed.

Kate:

I think she'd got other things lined up.

Steven:

Yeah. And until when can we apply for bounce backs?

Kate:

I don't know. I haven't heard.

Steven:

Right. So they can continue to do it. And this question was asked the other day during another meeting. We didn't know the answer. You can have a bounce backs loan up to 25% of your turnover, your gross turnover. So 50,000 pounds, theoretically, if you've taken 30,000, can you go back in a month or two's time and say, well, I want another 20 now.

Kate:

I don't see why not, because in theory you could have applied for the full 50, but so long as your turnover's high enough. I guess that would be up to the bank.

Steven:

Right? Okay. Interesting question here again about furloughing. I might want my staff back in, but what rights do they have to say, "No, I can't come back in because I'm still busy looking after my children" or whatever else it might be,

Kate:

Yes. That is a very tricky one. Especially with the way that the schools are at the moment. You know, if you've got an Eight-year-old that falls in between the two age groups that are back at school, then he can hardly leave them at home, home, alone.

Steven:

It's why cupboards were invented, I think. Yeah. So effectively on the one hand it would not be particularly ethical practice to say, no, I'm insisting you're coming back. Even if it were possible. But if they say they've got other commitments and I suppose if they say, well, no I'm self-isolating or anything like that.

Kate:

Oh yes. You cannot make anyone come in if they're self-isolated.

Steven:

Yeah. So they do have the right to say no. Do you get a sense that there are, I struggle to imagine it would happen in our particular lines of business chiropractors, osteopaths, Do you get a sense that there are people who are absolutely making the most of the furlough and are delighted to be not working and taking money and don't want to go back to work?

Kate:

Yes. Yeah. I do get that impression, which is another reason I think they're cutting it down and stopping it.

Steven:

Yeah. And I suppose all those it's possible that those people could easily use the excuse that I've got family members to look after and not come back. And let's hope they don't. Claudia says if a receptionist was furloughed for two months, then came off furlough with part time hours. Does that receptionist need to be furloughed fully? Is not working at all for three weeks before you can bring them back on part time furlough?

Kate:

No. If they've been furloughed under the part one of the system, that's fine. So you brought them back full time and then put them back onto part time from the 1st of July.

Steven:

I think basically what you said was if they were eligible for furlough and had been furloughed at all in any capacity that's fine.

Kate:

Yes. And also things do change because there's, so if one other member of staff, if you've had to bring somebody back on, because someone was working and then has to self-isolate. So you've then got to put them back on to furlough you, you know, you can mix and match

Steven:

Interesting. Again, this is possibly an HR question, but if they are self isolating are they then meant to be on statutory, sick pay or does that counts as furlough? Cause they haven't necessarily got the disease. They just isolated.

Kate:

Yeah. They're just all isolating. You can. Yeah. I mean the portal now to claim the Corona virus, statutory sick pay is now open. Yeah. And in theory, yes, they could be on that instead. Right. And so then they're only on SSP.

Steven:

Does that make any difference to the business though? Because if actually I'm not paying anything because I'm getting 80% furlough money, then I would probably choose not to put them on statutory, sick pay in their own interests.

Kate:

Yeah. Even though you get that all back as well, but you're basically saying, Oh, we're going to give you less.

Steven:

Yes, exactly. James says, please explain about the loan again - his ears have pricked up about this free money that we can have.

Kate:

It's not free money. It's a loan - that's it's got to be repaid!

Steven:

Motorbike money!

Kate:

it's not motorbike money!

Steven:

So could you do that? Run through the bounce-back rules and conditions again and, and emphasize what it's, what it is for if you wouldn't mind,

Kate:

But it is for business use, not motorbikes and it's you can apply for it between 2000 pounds up to 50,000 pounds. Well, with the ceiling being 25% of your turnover and you do it through the bank. Yeah. And the bank will expect to see various things like the fact that you have a positive balance sheet and you are trading and it's a government backed loan. You do still have to go through the application process. They're not just throwing it out. Yeah. But I do know virtually everyone who's gone for one has actually got it.

Steven:

But the application process is dead simple as well. Isn't it really simple? Are all the banks doing it as readily as my own bank is - the co op bank have managed to deal with our loan very, very quickly. Indeed.

Kate:

Some are better than others. And I know certainly at the beginning there weren't that many banks who were on board with that, but I think now most of them are. And the one was some of the sort of more online banks...

Steven:

I guess it will help if you have a business account with the bank that you're applying to as well. What about, and this may apply to a lot of people watching at the moment. What about if you haven't been trading for a year or haven't been trading for long enough to show a meaningful turnover?

Kate:

I'm not sure. I don't, I don't know. I haven't had anyone actually go for one of the loans in that position, so.

Steven:

Right. Okay. I'm sure. I'm sure we talked about it on the last show. And I imagine that the rules are still there - for the CBILS they had a complicated system of, if you hadn't been trading, what will you anticipate earning in a year or something. So maybe it's the same for that, but we'll try and find out.

Kate:

Yeah,

Steven:

Someone says, can you, again, more HR stuff for you Kate, can you ask staff to take all of their holiday while furloughed? Not just their accrued holiday?

Kate:

I don't know. That is definitely an HR question.

Steven:

Okay. Well we'll come back. I don't know who asked that question, but we will try and get the answer for you. And we'll do that through someone whose responsibility, area of responsibility that is

Kate:

I don't want to give the wrong answer and second guess,

Steven:

Right? Sam says, can you invest part of your bounce back loan premium bonds ISAs? Or was that considered personal use?

Kate:

Mmm. I assume that that is a sole trader, not a limited company.

Steven:

He has he or she hasn't made it clear.

Kate:

Yeah. Cause obviously if you were a limited company and then took that money out to squirrel it away in an ISA or premium bonds that would effectively be drawings. So would most likely be viewed as dividends because you've taken it out of the company. If you're a sole trader, then it's your money and, well, that's not technically a business reason, so totally it would be effectively like putting it in a deposit account. So you know that you can access it. It's just a deposit account with better rate of interest, so I don't see why you couldn't. But to say you just got to be mindful that if you're doing that as a limited company and taking that money out, you could be in for shed loads of personal tax because that would then be deemed as dividend income on you as a director

Steven:

Right. Yeah. And that that's something that yeah, I hadn't thought of. I'm not what I was thinking too, is that you can't invest it in the stock market because you can't guarantee getting it back if you're investing and for the same reasons you've talked about there. So hopefully that answers that question. Elspeth says are the criteria for bounce-back loans restricted to 25% of gross turnover.

Kate:

Yes. Yeah.

Steven:

And Mark says, who do you apply to for a bounceback loan,

Kate:

The banks.

Steven:

So you could apply to any bank.

Kate:

Yes. But as you say, I'm sure that you'd stand more chance if you used your own bank.

Steven:

More HR again, I don't expect you to know the chapter and verse on this. But Claire says, could you elaborate on the receptionist with children not being available? Are they able to refuse to return to work?

Kate:

Yeah, that's definitely HR.

Steven:

Yeah. Okay. Well we'll, we'll try and get the answer on that one. Ann French says, this may be a silly question, but it's not, it's a very, very sensible question. Do we get taxed on our bounce back loan?

Kate:

No because that's a loan. You do get taxed on your grants.

Steven:

Right. So with the loan, you actually get charged interest, but there's no interest for a year and that's not backdated. The interest doesn't start for a year. Is that right?

Kate:

That's right.

Steven:

So for a year it is free money.

Kate:

Yeah. You're just borrowing it. The clue is in the word loan.

Steven:

Alright. Joel says, can the turnover amount be the average over the past three years? Because last year's figures weren't as good as previous years.

Kate:

That will be up to you to negotiate with your bank.

Steven:

Okay. Yeah. Alison so she's a business owner already on furlough, knows that she won't have full time work to come back to. So would like to access the part time furlough, but I'd like to start back before the 1st of July. Is that legal?

Kate:

Yeah, she wouldn't be if she started back. So she sounds like she's sort of, yeah, it's her business, but she's an employee. So if she starts back before the 1st of July, then she'll have effectively not be able to claim that period for when she comes back to work till the 1st of July, but she'll have

Steven:

She won't be able to claim any furlough money?

Kate:

No, because if you do any work when you're on furlough. you have to come off furlough, so she'd have to come off furlough till the first. And so not be able to claim any money for that. So the 1st of July,

Kate:

But then she could go back on the flexible furlough.

Steven:

Just out of curiosity Kate, I mean, if you wanted to do that, let's say you can divide your week into while you're working weekends or days, rather than having random hours spread throughout the

week. Could you say to the inland revenue, I want to be on furlough for Monday, being back on furlough on Wednesday. So therefore effectively, you're going to have a part time arrangement. Or does it have to be for the whole month?

Kate:

If you go on furlough you've got to do the minimum of three weeks.

Steven:

Just trying to find a way of getting back to part time work before the end of the month. Andrew says, do the furlough payments counts as income in the end of the year accounts?

Kate:

Yes. Yeah. And they are fully taxable.

Steven:

I think I'm running out of questions from the audience now and I've kind of run out in my attempt to convince you that buying a motor bike is business use. I mean, are you this, isn't your role? You're not a business advisor. Are you telling people what would be sensible things to do with their bounce-back levels or not?

Kate:

No. I mean, some of my clients have asked me, you know, can I do this with it? Can I do that with it?

Steven:

And you'll say, yes, technically you can. But are you offering advice on whether it's a sensible thing to do with bounce-back loans as well?

Kate:

Yes. buying a motorbike is not all right.

Steven:

I've given up on the motor bike. Thank you very much. Ann says, could you put some, some of the loan into a pension she's a sole trader.

Kate:

Yeah. I mean, the thing with the loan is it is different to the grant. They are lending you money. So I don't, see why you can't put it into a pension.

Steven:

It's quite a, there were some grey areas on this, aren't there about what counts as business use and what doesn't. Again, I suspect at the end of the day, what's the worst they're going to do? I mean, if, if you, if you've used the loan for something which is not business, presumably they'll tax it as being income and slap your over the wrists, but provided you can pay it back within.

Kate:

Yeah. That's that is, I think that's going to be the key thing if you don't pay it back and start defaulting on it, I'd imagine

Steven:

And just a last, last question, because it's now two o'clock, I'm been grateful for your time, Kate, but the six year payback. Does that start in a year's time? Or does that start from the moment you get the loan.

Kate:

From the moment you get the loan?

Steven:

Okay. So effectively interest starts to accrue after a year, repayments after a year and you've got five years left to repay it. And Debra Kane says, can you clarify as a company director, I can work part time, face to face with patients.

Kate:

From the 1st of July.

Steven:

Kate, I mean, that's a couple of questions coming in now largely by people who are wondering how anyone's going to trace what we did with our money, if we borrow these things. And I suggest that we should stick to the rules because actually if they do find out and there will be ways, cause they're going to see it going out of your account somewhere aren't they?

Kate:

They will. Yeah. We do live in a digital world,

Steven:

And with the loan. I mean, if you can pay it back, they probably won't worry too much, but the minute it starts to look even vaguely pear shaped, as you say, there could be all sorts of hell to pay for.

Kate:

Yeah. So taking it for not what it was designed for.

Steven:

Kate, 45 minutes and your company flies by as always. Thank you very much. katebrownaccountants.co.uk. If people want you. Do you need more business?

Kate:

I can always do with one or 2 more. Especially osteopaths. I like osteopaths.

Steven:

And chiropractors. Chiropractors are nice people. Anyway thank you, Kate. Thanks very much for your time. And you know, I know that if people have questions, then they can always get in touch with you.

Kate:

And after the last one, I know I had a couple of people email me with questions, so that's absolutely fine.

Steven:

And we try only to get the people on the show that we know and trust. And we've used you as our accountant for a long time and we've used some, some very important sounding businesses in the past and we've found you to be a far more efficient and effective accountant than any of those big businesses. You know, you've done, you've served us extremely well. We're very grateful for it. And I'm only saying that because if people are looking for an accountant, they would not go far wrong with you. So thank you. Thanks for your time.