



The Rt. Hon Rishi Sunak MP
Chancellor of the Exchequer
HM Treasury
Chief Secretary's Office
1 Horse Guards Road
London
SW1A 2HQ

April 1, 2020

Dear Chancellor of the Exchequer,

Re: COVID-19

Further to my letter on the 23rd March, I am writing to you in my capacity as the Chief Executive of CIMA, regarding support measures for businesses and employers across the UK to help deal with the Coronavirus crisis.

In the UK, CIMA has over 80,000 members who are advising their businesses and clients on actions to take to deal with COVID-19 and keep their businesses both viable and profitable. Our members across all sectors and businesses of all sizes have informed us about the challenges they are seeing businesses face with the current government schemes in place and areas where enterprise needs more support.

We welcome the measures the Government has already announced and believe they will help a great many businesses, employees and self-employed workers. However, we believe more could be done to help SMEs in this time of crisis. Below we set out a number of solutions that we feel HM Treasury should consider further, in particular to support SME's.

1. Commercial Rent Holidays

Many of our members are still reporting difficulties getting rent holidays from commercial landlords on behalf of their SME clients. Allowing SMEs a rent holiday is vital for them to free up much needed cashflow to keep the business afloat. We urge the government to look at this issue and see what further support and guidance they can offer both SMEs and commercial landlords.

2. Passing on Small Business Rate Relief

We are aware that many SMEs do not get direct access to small business rate relief as it applies to the landlord of the property they rent. This limits these SMEs applying for the Small Business Grant Fund. It is understood that the small business rate relief can be passed onto the occupier by the landlord, but that is not always happening. This rate relief can and must be passed onto the SMEs from the landlords, we would welcome further clarity from the government on this and a policy which allows all relevant SMEs to apply for the Small Business Grant Fund.



3. Deferring PAYE and Corporation Tax

The government announcements that businesses have the option to defer VAT and self-assessment payments is welcome and will support many businesses in this difficult time. Many businesses and SMEs are still facing acute challenges with cashflow and we believe that the government could go further by allowing SMEs to defer PAYE and Corporation Tax; this would mean businesses would have immediate access to working capital to help with their cashflow issues.

4. Business Rates Holidays and Cash Grant Funding

We would like to see the business rates holiday extended beyond the leisure, retail and hospitality sector and applied to all SMEs. SMEs still need money urgently to free up much needed cashflow. Allowing all SMEs across all sectors to access the business rate holiday on the same conditions as businesses in leisure, retail and hospitality would help free up this cashflow and support SMEs stay in operation. We would also like to see cash grants for SMEs increased to the level of funding available for hospitality, leisure and retail which is £25,000 max available. This parity is because many SMEs are not in these sectors and they equally need support. This anomaly needs to be corrected.

5. Electronic Correspondence from HMRC and Councils

One issue many of our members have raised is that businesses are still receiving correspondence from HMRC and Councils via post and this means that many accountants and small business owners are having to travel to offices and premises to retrieve important correspondence from these bodies. Our members would welcome it if this correspondence could be delivered via an electronic format. There are many secure electronic formats where important and confidential correspondence can be delivered. We would urge HMRC and local authorities in the UK to explore these as a matter of urgency.

6. Coronavirus Self-Employed Income Support Scheme and the Coronavirus Job Retention Scheme

We welcome these schemes and think they will help a great deal of the nearly 5 million self-employed workers and the many employed workers in the UK facing or have faced job losses and will give a vital financial lifeline to businesses, work, families and in turn the wider economy. It is also important that company directors can apply for these schemes to get financial support and help for themselves and their families.

However, our members have raised an important concern that many of their very small SME clients are realising when applying for the scheme. Many directors of very small SMEs pay themselves a small salary while retaining working capital in the business. Dividends are paid if their company turns a profit and these also form an important part of the directors' income. The two schemes announced by the government are based on either an average of the last three years self-assessment forms or a PAYE payroll



scheme as at February 28, 2020. This means the salary directors get judged on will not be a true reflection on their earnings.

These directors of very small businesses are being penalised by the tax system when they are running their businesses prudently and we feel that the government should give more support for very small business owners and directors.

One way only very small business owners could be helped with this issue is via using the definition of 'Close Company' in the Corporation Tax Act 2010. If this definition is used a 'Close Company' is deemed as with 5 or fewer participators. Directors and owners of 'Close Companies' should be allowed to have their dividends considered alongside their PAYE when claiming for either the Coronavirus Self-Employed Income Support Scheme or the Coronavirus Job Retention Scheme.

Enacting this would allow more SME owners to access support and keep their businesses afloat and get access to vital cashflow they need to support their business and family. This will mean they have more money to spend in the wider economy and will therefore support other businesses. It also means if they are receiving financial support from the government, they are more likely to stay at home and support in the collective national effort to fight the Coronavirus.

Given that the Self-Employed Income Support Scheme will only go live in June the government need to provide self-employed people with money on account now in way of a cash grant as they cannot wait till June for this much needed cashflow.

I hope that HM Treasury finds our above suggestions helpful and useful. I would be happy to have a call with you or your officials to discuss our suggestions to support SMEs and the economy. I look forward to hearing back from you.

Yours sincerely,

Andrew Harding
Chief Executive, CIMA

cc.

Rt Hon Michael Gove, Chancellor of the Duchy of Lancaster and Minister for the Cabinet Office

Rt Hon Alok Sharma, Secretary of State for Business Energy and Industrial Strategy