



Rt Hon. Rishi Sunak MP  
Chancellor of the Exchequer  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

By email

12 May 2020

**Re: Coronavirus Job Retention Scheme and Coronavirus Self-Employed Income Support Scheme**

Dear Chancellor,

Thank you for your letter dated the 3 May 2020 regarding the Coronavirus Self-Employed Income Support Scheme.

We welcome the bringing forward of applications and payments on the Self-Employed Income Support Scheme and think this will help a great many self-employed workers across the UK. We also support your recent announcement in creating the Coronavirus Bounce Back Loans and we are already seeing this helping a great number of SMEs.

However, we believe that both of these schemes could help a great deal more SMEs and businesses. CIMA has over 80,000 members in the UK who are reporting concerns with both schemes and have suggestions for how both could be improved to help financially support more SMEs, safeguard jobs and support families' incomes through this crisis. Below we have outlined four recommendations for how these schemes could be improved.

**1) Redundancy and the Coronavirus Job Retention Scheme**

We are concerned that if a company were to fail, who have successfully applied to be part of this scheme and furloughed their workers, that through the process of administration the money from the Job Retention Scheme would not go to the workers as intended and would instead go to the administrators.

We have heard from our members who are supporting some companies who have sadly failed and in the process of administration that they had to very quickly move to ensure the monies from the Job Retention Scheme actually went to their furloughed workers and not into the hands of the administrators.



This is an area that we feel needs addressing. The money from this scheme should go directly to furloughed workers and not into the hands of administrators which would mean family incomes are supported and they have more capital to spend in the economy during this crisis.

We feel this will be an increasingly important area for policy change in the coming weeks and months as the scheme comes to an end and businesses have to decide whether they can survive or sadly have to end their operations.

This money is intended for employees and to support their livelihoods and the government should ensure that remains the case by closing this loophole.

## **2) Changes to Job Retention Scheme as Economy Reopens**

We welcomed the government introduction of the Coronavirus Job Retention Scheme and think it has helped many businesses safeguard a great number of jobs. We also recognise that the scheme has to be changed and wound down as the months go forward and we, as a nation, have more control over the virus.

However, we are concerned that if there are drastic changes this could harm job security, businesses and family incomes. We would like to see a phased approach to changing the Job Retention Scheme with money for furloughed workers slowly being reduced and a focus on getting those jobs back working.

We are also concerned that some sectors and jobs will not be able to go back to work soon. This includes those in the hospitality, leisure and travel industries. We would like to see the Job Retention Scheme adopt a sector by sector approach and for those in parts of the economy that are still unable to reopen due to health grounds, receive more support from the scheme than those who can safely reopen and resume business.

## **3) Accountants Supporting Clients in Applying for Self-Employed Income Support Scheme**

We are aware from some of our members that they are unable to support their clients in application for the Self-Employed Income Support Scheme. We feel that accountants should be allowed to submit applications on behalf of their clients.

This would help a great many more self-employed workers being able to apply and access the scheme. It would also help HMRC by ensuring more correct applications are made and that will help decrease their workload.

## **4) Change Access to Coronavirus Job Retention and Coronavirus Self-Employed Income Support Schemes**

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 Coronavirus Job Retention Scheme and the Coronavirus Self Employed Income Support Scheme are based on either an average of the last three years self-assessment forms or a PAYE payroll scheme on or before March 19, 2020. This means that the salary directors get judged on will not be a true reflection on their earnings. As a result of this, they are not accessing the scheme as they would not benefit from doing so.

Our members believe that both these schemes should be changed to allow directors of very small businesses more access and to have their dividends considered when applying to both the Coronavirus Job Retention Scheme and the Coronavirus Self-Employed Income Support Scheme. One way of doing this would be to use the definition of 'Close Company' in the Corporation Tax Act 2010. This definition means a company with 5 or fewer participators, which many of our members would fall into.

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.

The fact that many directors of SMEs pay themselves a small income and then dividends is not tax avoidance and is in fact actively encouraged by the tax system. Doing so helps keep money in the business and maintain a healthy business model and cash flow. We do not feel that directors of SMEs should be disadvantaged due to engaging in corporate and personal tax activities that the system has encouraged and supported for many years.

Once the crisis is over, there will be a time to review whether the paying in dividends is appropriate going forward. However, business owners currently need support to maintain their businesses, family incomes and livelihoods. We hope the government will consider our recommendations in this area to support more SME owners who have been adversely affected by this crisis.

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