



Paul Scully MP
Minister of State
Department for Business, Energy and Industrial Strategy
1 Victoria Street
London
SW1H 0ET

April 16, 2020

Dear Minister,

Re: COVID-19

Thank for your letter dated 14 April 2020 to our Chief Executive, Andrew Harding, Further to that letter, our Chief Executive sent an additional letter to the Chancellor, dated 1 April 2020, regarding further support for SMEs to help them meet the challenge of COVID-19. I have attached that letter for your reference.

As an organisation, we welcome the comments in the media that the Government are working on a scheme which would seek to help the 2 million business owners who are currently excluded from the existing government support schemes that have been announced to date. Our members are telling us that this is an area that needs urgently addressing and we welcome the Government's focus on this. In our letter to the Chancellor dated 1 April 2020 we asset out a suggested six point plan of recommendations for how more SME business owners could get access to support from these government 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 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. On behalf of our members, we would welcome the government giving more support for very small business owners and directors.

One example where only very small business owners could be helped is through 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 the above suggestion, in addition to our six-point plan of recommendations for SMEs, are helpful. I would be very happy to have a call with you or your officials to discuss our suggestions to support SMEs and the economy in more detail.

I look forward to hearing back from you.

Yours sincerely,

Ross Archer
Lead Manager – Public Policy
CIMA