

Insolvency Update for the Self-Employed

The current situation is moving at an incredibly fast pace, both from a health perspective and from an economic perspective. These are worrying times for business owners; many who have seen their income dry up or reduce significantly.

Insolvency Practitioners have been told that they are to be classed as Essential Workers, this tells us an awful lot in respect of the current position of the economy.

The Department for Business, Energy and Industrial Strategy (BEIS) is looking to rapidly reform Insolvency Rules so businesses that are unable to meet debts due to the impact of corona virus are not automatically forced to file for insolvency. Further, the Institute of Directors has called for a moratorium on the offence of wrongful trading and a temporary suspension of the ability of Creditors to present Winding-Up Petitions.

Directors have a legal responsibility to keep losses to Creditors at a minimum and as such, if Directors knowingly trade whilst insolvent, they could incur personal liability for company debts. This was the position under normal circumstances, however, in the current climate, Directors have no choice but to keep the business going as best they can.

The Government has stated that they do not wish to see viable businesses put into insolvency but this may be inevitable for a lot of the businesses today. If you are worried about the viability of your business, please do get in touch with our Insolvency Team, asmaiqbal@chadlaw.co.uk, and we can guide you through the support that you may need in these difficult times.

The Chancellor, Rishi Sunak, announced the Government's long awaited support for the self-employed.

The support for the self-employed earning an average of £50,000 or less will benefit from this scheme, which will be very welcome to many. There are, however, those self-employed that earn more profit than this that will not benefit from the scheme and will also need support.

In summary, the new support scheme for the self-employed is structured as follows:-

1. It will be based on the average earnings from the last 3 years;
2. If you have fewer years accounts, they will take the average of the years you have;
3. It will be available to individuals whose self-employed income is averaged at £50,000 or below;
4. The majority of your earnings have to be derived from self-employment;
5. You must have been self-employed and have filed a Tax Return in 2019;
6. If you haven't file a 2019 Tax Return, you have until 23 April 2020 to file your 2019 Return;
7. The scheme will be available at the start of June 2020;
8. HMRC will contact you direct with a form to complete and make payments directly into your bank account;

9. A payment of 80% of your average monthly earnings based on the average of the last 3 years will be paid for 3 months, capped at £2,500 per month. The payments are subject to tax.

The UK Government has also provided the following support for the self-employed:-

1. Tax payments that were due to be paid in July 2020 can be deferred until January 2021. Whilst this tax still needs to be paid, it will help short-term cashflow;
2. Business Interruption Loans are available;
3. The self-employed are able to access Universal Credit;
4. The self-employed are able to access Welfare Support.

Should you need any help or support, please do not hesitate to get in touch with Chadwick Lawrence LLP.