

M

A

K



**Finance Advice for
the Craft Sector**

**Supporting makers
and the craft sector
in response to the
Covid-19 crisis**

E



Finance Guide for the Craft Sector during Covid-19

During May 2020, in partnership with Applied Arts Scotland and with accountant John O'Neill of The O'Neill Partnership, MAKE | Support held two group advice sessions, specifically for makers, whether running a small organisation, self-employed or managing a portfolio of incomes. The sessions presented tips on managing finances and navigating available financial support.

This document contains a summary of John's key advice, highlighted within the sessions, alongside his answers to questions from makers during the event.

Alongside this document, please refer to our *Finance Guide for the Craft Sector* for an overview and links to financial support and resources available to makers. The UK Government 'Find Coronavirus support for your business' questionnaire is also an excellent way to find out your eligibility for support as a starting point.

Document Contents

1. 12 top tips for managing your finances during Covid-19
2. 15 Frequently Asked Questions

12 top tips for managing your finances during Covid-19

1. Claiming Expenses

Increased home working gives greater scope to claim home expenses as part of business expenses. Employees working from home can use Form P87 [<https://www.gov.uk/guidance/claim-income-tax-relief-for-your-employment-expenses-p87>] to claim for items such as desks, chairs, laptops, printers, stationery as long as the total is less than £2,500. Sole traders can possibly justify a greater proportion of home costs relating to business.

2. What is 'Essential'?

To really dial in to your business costs you need to challenge your finances and identify what costs are essential and what are not.

3. Mind the Gap

Start with a blank sheet of paper/spreadsheet and write down the amounts that must be spent to identify the minimum income required to cover these costs. Compare your current income/funding and identify the gap. Don't assume you know this amount. Ensure you know exactly how much is needed.

4. Claim and Record

Claim/record as many business expenses as possible. Even the smaller amounts. Everything adds up. If you can possibly treat it as a business cost then put it in your cash book. The bigger the loss this year means that this can be offset against future profits ultimately reducing tax and possibly national insurance payable.

5. Direct Debits

Ensure there are no ongoing Direct Debits for non-essential costs.

6. Tax Payments on Account

If you are making payments to account re your tax bill then consider cancelling these payments as tax can be deferred.

7. Payment Holidays

Approach credit card companies, banks, HMRC, landlords, utility companies to ask about, payment holidays, paying minimum amounts etc. Scottish Power and Scottish Gas have details on their websites.

8. Pensions

If you are making pension payments you can take a payment holiday. This will have financial implications further down the line, however it may help for a period in the short term.

9. Finding Support

Don't assume there is no support for you. It may be difficult to work through the plethora of detail and vast number of websites, however the range of support is extensive and because you are not eligible for one grant does not mean there is not another that applies.

10. Get Advice

Speak to your accountant, Business Gateway or a local business advisor to guide you.

11. Making a Loss

If you have made a loss in your trade consider completing and submitting your tax return quickly if this loss can be offset against a profit from the previous year resulting in a tax refund.

12. Planning Ahead

Try to plan now for your business post-lockdown. Prepare for the challenges so you can hit the ground running. Do you need stock? Do you need to source new suppliers? Would you be able to do some low cost advertising – social media etc.? Be as ready as you can be!

Frequently Asked Questions

1. Self-Employment

I run my own company. Am I self-employed?

No, you are not self-employed.

2. Furlough

I run my own company and pay myself a wage through a payroll scheme. Can I apply for 80% wage support under the Coronavirus Job Retention Scheme?

Yes, as long as you made a real time submission for the February 20 payroll by 19 March 2020 to HMRC.

3. Self-Employment Support

I am self-employed. How do I access the Self-Employed Income Support Scheme?

You can now check if you can claim a grant through the Self-Employment Income Support Scheme [<https://www.gov.uk/guidance/claim-a-grant-through-the-coronavirus-covid-19-self-employment-income-support-scheme>].

4. Continuing to Work

I am self-employed. Can I continue working and access the Self-Employed Income Support Scheme?

If you receive a grant from HMRC you can continue to undertake self-employed work, or take on other employment including voluntary work.

5. Furlough and Work

I am furloughing myself in my own company. Can I continue to work?

Only to fulfil the company's statutory obligations, but not to do any work to generate revenue or provide services for or on behalf of the company.

6. Self-Employed Income Support Scheme

I set up as self-employed in the past 12 months. Can I access the Self-Employed Income Support Scheme?

The Newly Self-Employed Hardship Fund is now open to applications.

[<https://findbusinesssupport.gov.scot/service/coronavirus/newly-self-employed-hardship-fund>].

7. Late Returns

I am self-employed and submitted my 2018/2019 tax return late. Will I be able to access the Self-Employment Income Support Scheme?

Yes, as long as you submitted your tax return by 23 April 2020.

8. Newly Self-Employed

What are the practical ways I can apply for the Newly Self-Employed Hardship Fund?

This is a Scottish Government initiative run through local authorities with an award of £2,000. Applicants are required to prove that they are in business and that they have suffered a downturn in income and that they are not eligible to apply for any other benefit or support scheme (including universal credit). Applicants must have become self-employed on or after 6 April 2019. The application is straightforward and evidence-based but it is a very limited support – you cannot be in receipt of any other support.

If you have applied for Universal Credit, but not yet received it, you can still apply for this scheme. I would be wary of cancelling Universal Credit to apply for this scheme.

Each local authority might be slightly different in how they apply the criteria.

9. Benefits Calculator

Is the HMRC benefits calculator useful for navigating the best kind of support for individual circumstances?

Yes, HMRC have attempted to simplify the process through a series of tick-box questions, which will then reveal the possible areas of support you are eligible for. It is called the Coronavirus financial support finder [<https://www.gov.uk/business-coronavirus-support-finder>]. It is very simple and straightforward and aims to cut through a lot of the information to give you a really good starting point.

10. Defining Profits

I have been self-employed for a number of years, how will HMRC look at my profits? Makers are concerned that seasonal fluctuation in income - and investment into equipment, training etc. or other areas of business - might affect how their profits look and their resulting claim?

HMRC have taken a three-year view on this in recognition of fluctuating profits, not only throughout the year but across years too, which is of particular relevance to the creative industries.

If you have been self-employed for the years '16-'17, '17-'18, '18-'19, they will simply average your profits across those three years. All of your taxable income (not just self-employed income) goes into one pot and then you get taxed (including national insurance) on that number. In order to claim, they require that your self-employed earnings must be at least 50% of your total income across those years. In terms of the application process, it should take an individual a short time to complete as it is linked in to what you have already submitted as tax returns. You can also appeal HMRC's calculation of your income.

Anomalies - If you only have one tax year, which includes self-employed profits they will use that year only. If two years, they will average it over two years. Years must be consecutive.

In terms of individuals who have reinvested their profits (e.g. on equipment to improve their business) and they were not treated as a part of your trading costs (as an asset), unfortunately there is no way of including this within your claim.

11. 'Bounce-Back' Loans

Banks are offering loans, but if my income is uncertain is there risk around re-payment?

Debt at certain times is not necessarily a bad thing. In terms of your business, if you can achieve security with a loan, and then make repayments at a relatively cheap interest rate, it can be a good option. Outwith mortgage and fee payment holidays etc., the main loan that I would advise small to medium enterprises to look at is the Bounce Back Loan [<https://www.gov.uk/guidance/apply-for-a-coronavirus-bounce-back-loan>], which starts at £2,000 and is capped at £50,000 and is 2.5% interest rate.

There is no interest or fees and repayments do not start for one year, over six years. The Government will guarantee the loan. The loan is potentially a good opportunity to make a long-term investment to your business, if you calculate that it can generate profits greater than the loan re-payments.

12. Agency Work

If someone was working through an agency on 19 March 2020, would they still be eligible for furlough through the Coronavirus Job Retention Scheme?

You need to be on the PAYE payroll scheme of an employer, this is the key. This can cover a range of employment options, FT, PT, shift work, contract work etc. The employer then chooses to furlough the employee. As an employee on the other side of this, you should not be engaged in any work for your employer during the furlough period.

13. Evidencing Turnover

Within applications, how do we best rationalise our recent bank statements, which reflect the flux and downturn of the pandemic, if we are using them as evidence to show our business turnover? Are statements simply evidence to show you have a business set up in Scotland, or are they being analysed as a part of eligibility?

I don't believe that HMRC are using them as being indicative of your business turnover, as many businesses have irregular and fluctuating incomes. Rather, they are used as evidence of holding a business bank account with activity, based in Scotland.

For Newly Self-Employed you need to apply via local-authorities in Scotland and you will need to provide evidence of your active business prior to Covid-19, that you are resident in the local authority area you are applying to and a self-declaration that you are experiencing hardship.

14. Employees Rights

Do you know of any support for employees to know their rights during furlough?
There is some UK Government support about the rules and what has been relaxed.

15. Voluntary Organisations

We are a voluntary membership organisation and took the decision that we would give members a 50% discount over the next two years – in direct support of their business, relating to this period. This leaves us with a hole in our income, which coincides with plans including a rebrand and website development. Is there any support we can access to help cover this loss?

Have a look at the third sector support on the guide, which could link you into two possible areas of support – The Third Sector Resilience Fund [<https://scvo.org.uk/support/coronavirus/funding/scottish-government/third-sector-resilience-fund/>], and the Community Response, Recovery & Resilience Fund [<https://www.foundationscotland.org.uk/programmes/community-response,-recovery-resilience-fund/>] from Foundation Scotland.

The Scottish Council for Voluntary Organisations (SCVO) [<https://scvo.org.uk/support/coronavirus>] hub is a really good place to check out, because that's where all efforts are being pushed for third sector. It also tells you more about accessing advice from Just Enterprise [<https://justenterprise.org/landing-page/>].

To sign up to the MAKE Manifesto, click here.
makemanifesto.com/manifesto/