

Case Study for a Small Business regarding Covid-19 Government Support
Janes Café - Assuming £10k grant

Jane runs a small café. She has a turnover of £200,000, pays wages of £60,000, suppliers £60,000, business rates £12,000, other fixed costs £20,000. She draws the business profit for personal use.

Due to Coronavirus she closes for three months and experiences a 1/3 drop in turnover for the remaining 9 months due to social distancing.
(a) assume turnover is equal each month during the year

	Pre Covid-19 £	Post Covid-19 £ assuming 100% wages paid during three month closure	Post Covid-19 £ assuming 80% wages paid during three month closure
Turnover	£200,000	£100,500	£100,500
Wages	£60,000	£60,000	£57,000
Suppliers	£60,000	£30,150	£30,150
Rates	£0	£0	£0
Fixed costs (insurances, licences)	£20,000	£20,000	£20,000
Job Retention funding	£0	(£12,000)	(£12,000)
Grant for Hospitality, Retail and Leisure	£0	(£10,000)	(£10,000)
	£140,000	£88,150	£85,150
Profit = drawings for Jane to live off	£60,000	£12,350	£15,350
Self Employment Income Support Scheme	£0	£7,500	£7,500
Taxable	£60,000	£19,850	£22,850
Tax and NI under Self Assessment (2020/21 rates)	£15,504	£2,560	£3,430
Universal Credit (subject to eligibility)	£0	£0	£0
Net cash inflow (outflow)	£44,496	£17,290	£19,420
Jane worse of by		£27,207	£25,077

Self Employment Income Support Scheme

- (a) assume Jane has been Self Employed for qualifying period
(b) assume Jane has no other income
(c) assume profits have been stable

Claim

Three months profits	£15,000
80% of profits	£12,000
Capped at £2,500 / m for three months	£7,500

Income Support

On the figures given, its unlikely Jane will qualify for Income Support but it would have been £317.82 / m as a base figure

Payments on Account - For Self Assessment

Using 2020/21 tax rates, and ignoring effect of rate & threshold changes over tax years

Lets assume Jane's profits by tax year were as follows:

	Profit £	Self Assessment £
31 March 2019	£60,000	£15,504
31 March 2020	£49,000	£11,014
31 March 2021 (includes £7,500 Income Support Scheme grant)	£19,850	£2,560
31 March 2022	£60,000	£15,504

NB 31 March 2020 is based on losing one month of turnover less suppliers. All grants etc assumed to come into 31 March 2021 year. No reduction in overheads.

Tax payments

		Amount due £	
31 January 2020	1st POA 19/20 (half of 18/19 tax bill) ⁽¹⁾	£7,752	31 January 2020
31 July 2020	2nd POA 19/20 (half of 18/19 tax bill)	deferred	31 July 2020
31 January 2021	Balance for 2019/20	£11,014	
	Less Payments on account made	(£7,752)	
	Balance due /(overpaid)	£3,262	
	1st POA 20/21 ⁽²⁾	£1,300	
	Total due /(refund)		£4,562 31 January 2021
31 July 2021	2nd POA 20/21 ⁽²⁾	£1,300	31 July 2021
31 January 2022	Balance for 2020/21	£2,560	
	Less Payments on account made	(£2,600)	
	Balance due /(overpaid)	(£40)	
	1st POA 21/22 (half of 20/21 tax bill)	£1,280	
	Total due /(refund)		£1,240 31 January 2022
31 July 2022	2nd POA 21/22 (half of 20/21 tax bill)	£1,280	31 July 2022
31 January 2023	Balance for 2021/22	£15,504	
	Less Payments on account made	(£2,560)	
	Balance due /(overpaid)	£12,944	
	1st POA 22/23 (half of 21/22 tax bill)	£7,752	£20,695 31 January 2023
31 July 2023	2nd POA 22/23 (half of 21/22 tax bill)	£7,752	£7,752 31 July 2023

⁽¹⁾ assume no balancing payment / refund from 18/19

⁽²⁾ assume POA reduced based on projected figures