

Written evidence submitted by Eleanor Parnell-Smith (Owner/director at EPS Associates Ltd)

Dear Sir/Madam

I am the owner and sole Director of a small Ltd company, EPS Associates Ltd. Having worked all my life in the hotel business, for the last 15 years I have successfully operated as an independent project consultant to some of the major hotel brands, delivering projects to improve guest experience in hotels globally.

I had a full programme of projects across three clients until Covid 19 hit. All work has now evaporated, all revenue has disappeared. In view of the enormity of the impact on hospitality, I don't expect to see the type of business improvement work I do to see any recovery at all until hotels are open and trading fully again once they can progress beyond profit protection mode (some time in 2021?).

The actions that the government has taken to protect businesses and incomes through the furlough scheme, provision of grants and loan guarantees are wide-ranging and are to be applauded. **However, there are significant gaps.** In my case, there is absolutely nothing available to help my business. My business has paid over **£190,000 in Corporation Tax** since 2006. Yet now, in my time of need, this government has (seemingly intentionally) excluded me from any form of income support.

I would like the Committee to consider my evidence based on the Terms of Reference specifically as follows:

Job Protection Scheme and Self-employment Income Support Scheme

Many small business owners are established as limited companies in order to be protected from personal liability, often as required by their clients. Additionally, when my accountant advised me on setting up my business in 2006, I was guided to follow the most tax efficient route of paying low salary and dividends. In recent years the taxation of dividends has been changed to bring taxation of this mechanism more into line, to the degree that now there is negligible benefit.

If the government wish to change the rules on dividends then they are obviously capable of doing so and, as a highly professional and law abiding tax payer, I would follow those new rules to the letter. But for the Treasury to use this pandemic as an opportunity to hit small business as some kind of punishment for a mis-placed perception of wrong doing is extraordinarily ill-judged. They do not appear to have considered the consequences of the failure of potentially hundreds of thousands of small businesses, and the impact on the employees of those businesses, and their families.

As stated by the ex. Business Secretary Sir Vince Cable regarding using dividends as the primary source of earnings: *"It is an accepted, legitimate, form of business and there is no*

reason why those who use this mechanism should not be eligible for assistance like other self-employed.”

We need our incomes protected, as has already been done for the employed and self-employed.

Recommendation:

1. **Extend the SEISS OR the CJRS (whichever is easiest to adapt) to include small limited company directors earnings calculated via both PAYE and Dividends.** The Treasury are suggesting it is too complicated to differentiate between dividends from investments vs dividends from company earnings. Firstly, it's better that support is provided late than never, so if time is needed to work this out then so be it. It is certainly not a reason for not providing support at all (where there's a will there's always a way). Secondly, proposed solutions have already been put forward by IPSE, #ForgottenLtd and others.
2. **Remove the 50k cap on the SEISS** - how can it be fair that this cap applies only to the self-employed and not to the employed? Furthermore it creates a cliff edge which is totally unjust in a variety of circumstances, for example, consider these two scenarios which demonstrate how the support cap is an ineffective blunt instrument:
 - ☐ Scenario 1: in a household of two self-employed earners with earnings of say 49k each, they can both claim through SEISS giving them a combined income of 5k/month. Say this is a couple with no dependents, this is a very generous replacement income, and of course they are able to continue to work.
 - ☐ Scenario 2: A couple one of whom is self-employed with the partner staying at home to care for their children. Say that one earner earns 51k, he can claim zero through SEISS - so a family left with no income.Given the example of these two scenarios, how can this cap be justified? Moreover, why is it even needed, when there is a benefit cap at 2.5k/month anyway, and the same isn't deemed to be needed for the employed? An employed person can presumably earn 150k pa and still claim the 2.5k/month.
3. **Allow furloughed directors to continue to work** so that they can not only carry out the statutory duties of a director, but also nurture their business and carry out business development activity in readiness for a recovery. Whilst this wouldn't help in sectors which are essentially shutdown and therefore there is no work (such as mine, hospitality), it will I know be beneficial to many of my peer group.

Support to businesses and financial services

Whilst I work in hospitality, I work mainly from my home office except when visiting clients' premises, I do not have business premises. I am therefore not entitled to either the Small Business Grant, or the Retail Hospitality and Leisure Grant. My business has been hit equally as hard as those hospitality businesses with premises. I of course still have ongoing business costs to fund, in addition to the need for a personal income.

Currently the only option made available to me is to take on a Bounce Back loan. As director of a limited company I would not, in good faith, be exercising my fiduciary duty

taking out a loan with no idea when/if I can repay it. It is actually irresponsible of the government to encourage businesses on their knees to take on debt, simply to pay ongoing business costs and take an income for myself, which is what I need urgent support for.

Recommendation:

4. **Extend business support grants to all small businesses** These grants should be extended to all those working within the hospitality sector, and all small businesses, premises or no premises.

In summary, I have never expected any government support in my entire life, and have paid over 190k in Corporation Tax since starting my business 15 years ago, let alone the PAYE, NI, and collecting of VAT on behalf of HMRC. That's 190k contribution that would never have reached the tax coffers were it not for my business.

I don't expect any more or less support than has already been made available to the self-employed, but my request is that the Treasury Committee hold the government to account to address these remaining significant gaps in coverage of the support schemes. I and many others need urgent interim support to help our businesses survive. We are the backbone of the economy, and we want to still be there to help drive a strong and speedy recovery. Please ensure we are given the parity of support we need and deserve, before it's too late for many small business owners, their employees, their suppliers, and their families.

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