

Written evidence submitted by Fabian Computers Ltd

Job Protection Scheme and Self-employment Income Support Scheme

What gaps in coverage still remain and are changes required to increase their effectiveness?

Gap for company directors

There is currently a major gap in the support for directors of micro business limited companies.

Changes are required.

Company Overview

Name: Fabian Computers Limited trading as Fabian4.

Sector: Leisure Services – race pre-entry, race timing and competitor tracking system provider.

Employees – Two. One full time company director and one part time Marketing and Administration assistant. Both paid via PAYE. The part time employee is furloughed. The company director is still providing services to the company full time.

Not VAT registered (turnover under £85,000)

Turnover post lockdown approximately 10% of pre-lockdown levels.

The Problem – providing services or not providing services?

The problem lies in the eligibility criteria of the two schemes and how they apply to company directors.

To be eligible for the Job Protection Scheme company directors MUST NOT be providing services to their company or making money for their company. This rules out eligibility for the company director under the Job Protection Scheme unless the company has fully closed down or has another staff member available to run the company in the absence of the company director.

To be eligible for the Self-employment Income Support Scheme the business owner MUST be trading (i.e. providing services or making money) but limited company directors are excluded from this scheme since their limited company structure means they are not self-employed.

The two schemes work in their own right for non-director employees and for the self-employed, but company directors fall through a gap between the two schemes.

Petition

<https://petition.parliament.uk/petitions/310515> was one attempt to highlight this problem to the government:

Coronavirus Support Package for Directors / Shareholders of small Limited Co's.

Provide a COVID-19 Support Package in line with that offered to the Employed and Self-Employed.

The government response included the statement:

“The Coronavirus Job Retention Scheme (CJRS) is available to employers and individuals, including owner-managers operating under a limited company, who pay themselves a salary through a PAYE scheme.”

Yes, but from <https://www.gov.uk/guidance/claim-for-wage-costs-through-the-coronavirus-job-retention-scheme>:

During hours which you record your employee as being on furlough, you cannot ask your employer to do any work for you that:

- makes money for your organisation or any organisation linked or associated with your organisation
- provides services for your organisation or any organisation linked or associated with your organisation.

Therefore, unless the business is temporarily closed down company directors are not eligible for CJRS and to suggest they are in an official government response is highly misleading and completely inadequate.

If Fabian Computers were to close down there wouldn't be any business to come back to after restrictions were lifted since our clients would move to our competitors. The company is still fully active, even at 10% of normal turnover.

Solution

A new scheme is required which takes elements from both the Job Protection Scheme and Self-employment Income Support Scheme so that directors of micro limited companies, who have suffered a major loss of revenue due to coronavirus, are able to get some government assistance.

The suggest key criteria would be:

- Eligible to directors of micro business private limited companies only
- Must be trading (i.e. the same as SEISS)
- Limited to 80% of PAYE earnings (i.e. the same as CJRS)
- The business must have been adversely affected by coronavirus (i.e. the same as SEISS)
- Back dated to 1st March 2020 (i.e. the same as CJRS) or the time the business became adversely affected (whichever is the later)
- Limited to a maximum of £2,500 a month (i.e. the same as CJRS)

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