

Media Release

Date: 29 January 2021

Clarification on payroll co-funding scheme

The Policy & Resources Committee have today provided clarification about the support recovery clause within the payroll co-funding scheme following feedback from businesses.

In reinstating the payroll co-funding scheme, the Committee included a clause in the support package which enables sums paid to businesses to be recovered if these businesses ultimately make a profit this year.

The Committee have since agreed that the first £50,000 of profit for self-employed and sole-traders will be considered as personal income and therefore not recoverable by the States of Guernsey. This recognises the fact that some business owners do not draw a regular salary from their businesses and that their profit is effectively their personal income.

As an example of this clarification, if a sole trader or someone who is self-employed claimed payroll co-funding during 2021 and made £50,000 profit, none of this support would be recovered by the States. However, if the profit was £55,000, the business would be asked to repay some or all of any business support received in 2021 up to a maximum value of £5,000, with the initial £50,000 considered as earnings.

Any support that is to be recovered will be done so following the submission of the tax return for 2021. Therefore, any repayment would not be requested until 2022 at the earliest. Time to pay and staged payment arrangements would be agreed to spread any cost.

Where a majority shareholder of a company is also employed by the business, their salary will be added back to the profit of the company, with business support funding only recovered if that figure then exceeds £50,000.

To clarify, any payroll co-funding payments made during 2020 were not subject to this new clause. Repayment of any support received in respect of 2020 is entirely voluntary.

This recovery of support does not apply to charities or not-for-profit organisations.

The profit of the business will be calculated as turnover (a business's trading income) less all allowable business expenses, including cost of goods sold, wages of employees, rent and

utilities. Businesses will not be able to claim a deduction for capital expenditure, such as the purchase of a new motor vehicle or computer.

Payroll reimbursement for the last week of January will open from the 1st February. If any businesses will not be able to wait until 1st March for reimbursement of February payroll, please get in contact with business support at business.support@gov.gg or by calling 01481 743803.

Deputy Mark Helyar, Treasury lead for the Policy & Resources Committee said

"We've listened to the concerns that businesses have shared with us and we hope that this clarification will provide some reassurance. We want businesses to prosper and the support recovery clause is about providing support where it is genuinely needed. With public finances under significant pressure, no-one in the community would want financial support to be handed out where it is not needed. We must do what is right and appropriate to support local businesses, directing support where it is needed most."

Eligible businesses will be able to apply from the 1st February in order to claim for the period commencing 23rd January.

The list of eligible sectors and details for businesses wanting to apply for payroll co-funding can be found at <https://covid19.gov.gg/guidance/business>

Ends