

Making a Difference

to businesses &
individuals
across Yorkshire

Coronavirus Advice Guide



INTRODUCTION FROM KIRSTY MCGREGOR, THE CORPORATE FINANCE NETWORK

The Corporate Finance Network consists of regional accountancy firms, some of the leading SME business advisers in the UK and I am very proud that they have come together in a very quick way, to collate this incredibly useful guide for you. In times like these, collaboration and communities working together will help us all to get past this unprecedented time in our lives and our economy.

The only thing I would personally add to the information enclosed, is that I would encourage you to start brainstorming to find ways to diversify, innovate and support your customers and communities, as much as you can. Keep yourselves well, physically and mentally and I think it will be critical for everyone to find a peer group to share challenges and ideas with, so consider setting one up in your local area or within your sector. I think you will find it will pay dividends in due course, as we have no idea at this stage how long this period will last.

I hope you find this guide useful and reassuring and I would like to thank those who have taken time out to contribute to it.

Kirsty McGregor, Founder and Chairman of The Corporate Finance Network

INTRODUCTION

The last few weeks have seen an unprecedented set of events and circumstances around the World. Maybe not since the Cuban Missile Crisis in 1962 or the Spanish Flu outbreak of 1918 have the lives of everybody been turned upside down so quickly and worryingly.

The level of concern in the UK has been increasing since the start of February leading to a budget focused on providing support to our economy. Only a matter of days later, Chancellor Rishi Sunak, was standing next to the Prime Minister and Chief Medical Officer outlining another series of initiatives designed to help business with the promise that "we will do whatever it takes".

There is genuine concern and worry amongst the business community, but we want you to know that our team are ready to help you, your and the wider business community get through this crisis.

Whilst the primary concern of any organisation is the wellbeing and safety of their employees a plan needs to be put in place now to ensure there is a sustainable platform to operate from as the crisis is navigated and then left behind.

We have put together a Coronavirus Business Guide, which we hope you find useful. It focuses particularly around finance and employee issues as these are the most common queries we have received.

SUPPORT FOR SELF EMPLOYED BUSINESS OWNERS – CORONAVIRUS SEISS)

Are you eligible?

The scheme the Chancellor has announced is expected to cover about 95% of current self-employed business people, but there are a number of self-employed who will not be covered. These are:-

- Directors or owners of Limited companies. This scheme is only for sole traders, partnerships and LLPs
- Those who are newly self-employed and haven't yet submitted a Tax Return *(1)
- Those who have not yet submitted their 2018/19 Tax Returns (but there is still time to do this within the next 30 days and this will give eligibility to the scheme – by 23 April 2020.)
- Those with a taxable trading profit of over £50,000 in 2018/19, or more than £50,000 on average for the past three years *(2)
- Those whose self-employment trading income forms less than 50% of their overall income

*(1) HMRC have clarified this position and suggest if you are a self-employed sole trader or a member of a partnership you can apply if:

- have traded in the tax year 2019/20,
- are trading when you apply, or would expect to be if not for Coronavirus,
- intend to continue to trade in the tax year 2020/21,
- have lost trading profits due to Coronavirus.

*(2) Illustration. Bill is a self-employed domestic plumber who has been trading for over 10 years. Bill has self-employment income and his trading profits over the last three years have been as follows; £30,000 in 2016/17, £51,000 in 2017/18 and £42,000 in 2018/19. His average trading profits for the three years are £41,000. Bill has a small amount of interest and some dividend income of £100 and therefore as his income is more than 50% of his average taxable income.

What you will receive?

For those that are eligible, the Government have said that they will pay a grant, in June, but back-dated to March, of 80% of their average monthly profits for the past three years, or their profits in 2018/19. There will be a cap of £2,500 per month.

*(2) Illustration. Bill has average trading profits of £41,000 which is a monthly average of £3,416. He is eligible for a grant equal to the lower of £2,500 or 80% x £3,416. In this case £2,500 the cap is lower than £2,733 (80% x £3,416).

For Partners the income test will be based on their share of the Partnership profits.

This income will be taxable and therefore will need to be shown on individuals 5 April 2021 income tax returns. It will also form part of your income for tax credit purposes.

The scheme will be open for an initial three months and will then be reviewed.

When will you receive the money?

The government have suggested that the system will be open in June 2020 and then payments will be made in a single lump sum payment. There is no indication how long the payment will take to process.

How to apply

No doubt if you fall into the eligible category, you will want to know how to make a claim under this scheme, formally known as the Coronavirus Self-Employment Support Scheme. HMRC will invite applications using information they already hold on the Tax Return system to identify those eligible. No doubt if you fall into

the eligible category, you will want to know how to make a claim under this scheme, formally known as the Coronavirus Self-Employment Support Scheme. HMRC will invite applications using information they already hold on the Tax Return system to identify those eligible. Therefore, if you are eligible, you do not need to contact HMRC, as they will be in touch with you. Once the application has been made, HMRC will pay the due amount into your bank account; you will need to give HMRC your bank details when you complete the application form.

HMRC point out that you will access the scheme through the .GOV website and that people should avoid calls, texts, emails as scams.

For all our clients, we will have all your Tax Return data on our files, so if you are anxious to know if you would be eligible for a payment through this scheme, we can calculate the relevant income figures for you – please get in touch by calling your normal contact point at our firm.

If you are not eligible for a payment under this scheme, then you will need to consider the other “safety-nets” in place such as Universal Credit, interest-free bank loans, payment holidays etc and if you are a Director of a company taking income as a mix of dividends and salary you may need to consider the Coronavirus Job Retention Scheme for your PAYE amount, but more guidance is expected soon about whether a Director can be furloughed.

COMMERCIAL RENT DEFERRALS

To support UK businesses, the Government has confirmed that commercial tenants who are unable to pay their rent due to disruption caused by the Coronavirus pandemic will not face eviction.

The Government had already banned evictions on private residential tenants but has now confirmed that the three-month moratorium on evictions and debt enforcement will be extended to cover commercial leases as well.

Although many commercial landlords and tenants are already coming to voluntary arrangements about rental payments, the Government is taking steps to support businesses struggling with their cash flow due to Coronavirus who are concerned about the prospect of debts and possible eviction.

The new measures confirmed in the emergency Coronavirus Bill ensures that no business will be forced out of their premises if they miss a payment in the next three months.

However, tenants will still be liable for the rent due in arrears after this period and the Government has said it is actively monitoring the impact on commercial landlords’ cash flow to ensure their operations are not put at risk. Landlords (residential and commercial) are able to ask any mortgage provider for a 3 month repayment holiday.

It is not yet clear how tenants will be expected to repay deferred rent payments and this might differ from one lease to another, but a variety of options may be available, including:

- Extending the length of the lease to cover the time lost
- Distributing the lost rental income across the entirety of the remaining lease period
- Increasing rents in future to make up for any loss

Tenants and landlords must discuss these options and agree on the future arrangements of the lease.

If you are affected by this change then you should seek advice at the earliest opportunity.

UPDATE CORONAVIRUS JOB RETENTION SCHEME

The Government has announced a new scheme to protect people's jobs during the crisis. The scheme is open to all UK businesses and will see the Government pay part of the wages of employees that would otherwise have been laid off. The scheme will be open for an initial term of three months from 1 March 2020, however The Chancellor, Rishi Sunak, said "... and I will extend the scheme for longer if necessary".

This is a grant from the Government, not a loan, so it will not need to be repaid.

To access the scheme employees, or certain employees, need to be designated as "furloughed workers" for a minimum of 3 weeks. You will need to notify these workers of the change, in writing (email will be fine) making sure you follow a fair selection process. It's worth noting that the Government is not changing employment law to allow this to change in status. Therefore, making this change to an employee's status remains subject to employment law.

You have the option of topping up the remaining 20%, but it is not mandatory.

There is a cap on the reimbursement of £2,500 of the employee's wage costs per month, based on their regular salary. It should also be noted that the employee must have been included on the February pay run and that a claim will be possible for periods from 1 March 2020.

For those on zero hours contracts, seasonal contracts or with fluctuating pay, the claim can either be for the which was paid through February's payroll or for an average of the past twelve months, or for the pay in March 2019.

You must not make the employees redundant and guidance will most likely be issued, in due course, about the time frame the Government expects you to keep them employed after society and business can return to normal. If you have already laid staff off, you can reverse this decision if you wish, as this scheme is backdated to 1st March.

HMRC are developing a system that will allow employers to provide this information through an online portal and once processed they will issue reimbursement. The portal will be open from 20th April and HMRC have stated that they hope businesses will receive monies before the end of April. HMRC communications have stated:

"Businesses, and agents that are authorised to act on behalf of clients for PAYE matters, will be able to claim. However, file only agents, including Payroll Bureaus, will not be able access the service due to data protection reasons.

"Businesses will need the following information on each of their furloughed employees:

- *National Insurance number*
- *salary, National Insurance and pension contribution information that allows business to calculate the claim amount."*

Clearly, this is an enormous task for companies, accountants and HMRC and the commitment to release all grants by 30th April appears optimistic. Therefore, managing cash during this intervening period is still crucial (see our advice about cashflows later in this guide).

Careful planning and consideration of employee's contracts of employment is required when considering this scheme but it is certainly a significant boost to companies in what are unprecedented times.

Further guidance

Following a meeting with HM Revenue & Customs (HMRC) the Institute of Chartered Accountants in England and Wales (ICAEW) have issued some notes on how they believe the Coronavirus Job Retention Scheme will work.

The notes below provide an update to our original piece published earlier in the week which is copied below for reference.

- HMRC will be the body that administers the grant scheme
- Charitable and not for profit organisations will be eligible
- Whilst the scheme is backdated to the 1 March grants will only be available when employers have agreed furlough terms with their employees and they have stopped work, subject to employment law in the usual way
- Available to all employees on the payroll at 19 March 2020
- The employer will pay the employee through payroll and as such RTI submissions will still be maintained
- Relevant employees must be designated as furloughed employees
- The scheme will not cover dividends where directors/ shareholders of owner managed companies pay small salaries and the balance as dividends
- The grant will cover all employment costs including; salary, employer pension contributions and employer NIC

Illustration

Illustration (taken from the ICAEW article) shows how the grant would be calculated. Note assumes no pension payments. If a pension was paid (i.e. Mr A was opted in) the grant would cover this too being $80\% \times (\pounds 2,000 + \pounds 174 + \text{Ers Pension})$ subject to the $\pounds 2,500$ cap.

X Ltd employs Mr A at an annual salary of $\pounds 24,000$, so $\pounds 2,000$ per month. Mr A has opted out of auto enrolment.

Each month, Mr A currently receives net pay of $\pounds 1,665$ which is after deducting PAYE of $\pounds 191$ and employees NIC of $\pounds 144$. On this salary, the employer pays employers' NIC of $\pounds 174$.

The available grant for the employer is the lower of

(a) 80% of $(\pounds 2,000 + \pounds 174)$, and

(b) $\pounds 2,500$

So a grant of $\pounds 1,739$.

The original ICAEW article can be found here: <https://www.icaew.com/insights/viewpoints-on-the-news/2020/mar-2020/coronavirus-job-retention-scheme-furlough-guidance>

Guidance from HMRC was issued on 4th April and can be found here: <https://www.gov.uk/guidance/claim-for-wage-costs-through-the-coronavirus-job-retention-scheme>

This guidance also included confirmation that directors are able to furlough themselves under the Job Retention Scheme, for the PAYE element of their earnings only, if they only carry out activities which would 'reasonably be judged necessary' for the purpose of fulfilling statutory duties.

Funding problems

One of the problems with the scheme is the delay in being able to make claims and receive funds. If an employee was furloughed on 20 March 2020, there could be 11 days available for the March claim.

The employer would need to pay the employees net pay on 31 March and 30 April, well before potentially being able to make a claim in early May, for receipt sometime in mid to late May.

Whilst we can't be sure this will apply for all businesses, banks may be willing to extend or arrange overdrafts for a limited time for the amounts expected to be claimed.

THE CORONAVIRUS BUSINESS INTERRUPTION LOAN SCHEME (CBILS)

The CBILS measures have been available since 23rd March 2020 and on 3rd April new guidance and clarity was issued to the banks by the British Business Bank.

The facility can be accessed by any business if:

- Turnover less than £45m and be a sole trader, partnership, LLP or a Limited Company
- Business activity must be UK-based
- It was viable before the pandemic (how this is determined seems to be different for each lender)
- Will be able to return to viability within 12-18 months
- Can self-certify that it has been adversely impacted by the coronavirus (COVID-19)
- Not be in a disallowed sector - banking, insurance and reinsurers (but not insurance brokers); Public-sector bodies; Further-education establishments, if they are grant-funded; State-funded primary and secondary schools
- Not have received de minimis state aid beyond €200,000 in the current or previous two fiscal years

Security and other terms

- The Government will cover all interest and lender's fees for the first 12 months;
- The Government will not charge the lender a fee and will provide the lender with an 80% guarantee on the outstanding facility. The borrower still remains 100% liable for the borrowing.

- For facilities under £250k, there will be no Personal Guarantee; from £250,001-£5m, it is likely that a Personal Guarantee will be required from directors or owners holding more than 10% of the business. For facilities over £250k, the PG will be limited to 20% of the outstanding balance.
- The lender cannot take a charge over directors' or owners' personal private residences
- Lenders may take any or all other security available, including debentures over limited companies
- All rates are by negotiation but the firms of The Corporate Finance Network are starting to see that interest rates (after the 12 months holiday) are ranging from 3% to 12% and that six or twelve month capital repayment holidays are also being offered in several cases

Valuers are not doing site visits, so there could be a delay if a professional valuation is required to assess the ability of the lender to take security over a particular asset.

The mainstream banks are presently only accepting applications from existing customers or those from a smaller, challenger bank. There are other lenders accredited to the scheme, including those offering invoice finance and asset finance facilities, so speak to your accountant about which lenders to approach. We are also encouraging clients to focus on a range of other potential solutions, covered later in this guide.

The application process

Although each bank appears to be requesting slightly different information, most banks will need to see:

- Last 3 months bank statements (not in excel, scanned copies or clearly showing as being from the bank's own feed)
- Last 2 years financial statements
- Latest management accounts if available
- Details of any security being offered (eg aged debtors or valuations of property), and for facilities greater than £250k, a personal net assets and liabilities statement
- A few paragraphs explaining how the pandemic has affected your business
- Some basic cashflows showing what size facility you will require over the next six months, and what grants or support are due to be paid over by Government
- Any HMRC "Time to Pay" arrangements already agreed

Other things to consider

Don't lose focus on managing cashflow in other ways, whilst making an application, so here are some other practical steps which you could take to help you manage cash:

1. Agree rent free periods with your landlords. The Government has included a three month commercial rent moratorium in their measures, which prevents eviction.
2. Agreeing payment holidays on business loans and other credit payments, such as hire purchase and asset finance.
3. Explore whether "spot invoice" financing could help top up cash whilst debtors are being a little slower at paying.
4. Looking at assets that the bank won't be too interested in losing from their debenture and see if you could raise finance on them, for example stock.
5. Defer any VAT payments and request with HMRC to defer any payroll taxes or any other taxes which are to come due in the next few months

HOW TO APPROACH FINANCIAL INSTITUTIONS INCLUDING YOUR BANK

Most banks are maintaining that it is business as usual, as far as possible, and that they are here to support their customers throughout these unprecedented times. Several of the major British banks have set-up dedicated Covid-19 helplines for their customers to call for guidance and information. Business owners should look to take advantage of all the support available to them and take the opportunity to speak to their lenders about concerns they have.

Proactive, regular communication with lenders is recommended. If you are predicting a down-turn in trade or your cash-flow projections reveal a potential liquidity issue in the next couple of months, it is best to speak to your bank as soon as possible to discuss the potential impact on your business. The quicker you raise any concerns, the better chance you might have to get the flexibility that your business might need over the coming months. It may also afford you more time to discuss a range of options and solutions.

Banks and mortgage lenders have also voluntarily agreed to offer customers three month-payment holidays. Businesses should look to take advantage of this where it is felt their business will benefit, therefore discuss this with your bank at the earliest opportunity.

Keep in touch with your bank as much as possible over the next few months and talk to us if you need a sounding board to discuss your lending and cash-flow needs, or to assist with producing any information requested from your bank. The banks, together with the Government and your advisers are here to help whilst we're all in this together.

Look towards other funders

There is no doubt that other funders, alternative and second tier, will be looking to fill the gaps left by the banks. We understand that many alternative and peer-to-peer lenders have also applied to be accredited. All accredited lenders can be found here: <https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils-2/current-accredited-lenders-and-partners/> and your accountant can advise on which lender would be most appropriate for your needs, whether under the CBILS or not.

And finally

Don't be afraid to ask for advice and support. There is a lot of information out there, some of it confusing and some contradictory, so if you are unsure about anything or just want to sense check your plans **please don't hesitate to call your accountant.**

HELP FOR DIRECTORS OF LIMITED COMPANIES

The Self Employment Support Scheme does not include directors of limited companies. If the company is not trading and has been 'mothballed' during lockdown, directors are able to furlough themselves under the Job Retention Scheme, for the PAYE element of their earnings only, if they only carry out activities which would 'reasonably be judged necessary' for the purpose of fulfilling statutory duties. Please see elsewhere in this Guide for more details about furloughing under the Job Retention Scheme.

However, this would not fully assist owner/directors of Limited Companies who may also receive their income by way of dividends.

There is still also the support offered through the benefits system.

Both Universal Credit standard allowance and Working Tax Credit basic elements will be increased by £1,000 a year for the next 12 months. To ensure that the Self Employed benefit the minimum income floor (MIF) has also been removed. The MIF is a measure that assumes that Self Employed workers earn a certain level of income. By eliminating this, it opens more benefits to people who are Self Employed "at a rate equivalent to Statutory Sick Pay for employees" according to the Chancellor.

There has also been an increase in support for renters with an increase in Local Housing Allowance that will cover at least 30% of market rents and also the previously announced three-month mortgage holiday.

In summary it still feels like Company Directors are not been supported as well as others in the economy, but as we have seen this week, all that could change and we are hoping that further announcements regarding other forms of support may be made in due course.

HELP FOR CHARITIES

On 8th April, further support was announced for charities from The Treasury. This funding will be administered by Government departments and the National Lottery.

"Departments will now work at pace to identify priority recipients, with the aim for charities to receive money in the coming weeks. The application system for the National Lottery Community Fund grant pot is expected to be operational within a similar period of time."

Further information here: <https://www.gov.uk/government/news/chancellor-sets-out-extra-750-million-coronavirus-funding-for-frontline-charities?fbclid=IwAR3pehcVMHQqvc9Fwl88QKT-JI-KZFlvyUk1tNsNA5HPpvKSnYac-YIDaoU>

OTHER GRANTS

There have been some further grants announced by specific Local Enterprise Partnership (LEPs) or Combined Authorities in England, or by Business Gateway Scotland, Business Wales, and Invest Northern Ireland. They are being administered by Local Authorities. Your accountant will be able to direct you to the relevant application if any funds are available in your area which you may be eligible for.

Some sector specific grants are also becoming available, such as for Bus Operators or for technology and research-focused businesses. Ask your accountant or enquire with your trade body if any have been announced, specific to your sector.

CASH FLOW

We understand that cashflow will inevitably be an issue for businesses in the coming weeks. The impact of less cash coming in from customers mixed with payments that need to be made and commitments to employees will more than likely lead to a quick deterioration in cash balances.

One of the first steps that we would recommend is forecasting cashflows for the next four or five months. This doesn't need to be done with expensive software or apps but can be plotted on a piece of paper or in excel, but it does need to carefully identify on a monthly basis the cash you expect to receive and pay out. This cash flow forecast should also include estimates for various tax payments, Corporation Tax, VAT and PAYE. These can be based on your last payments as a guide.

We are often asked how to forecast cash receipts. As you want a guide to the receipts you might get, look back through bank statements or your book keeping records to see what daily, weekly or monthly averages you have been achieving and use these.

Once you have established the baseline cash position you should then look at flexing the cash receipts to allow for a slow down in money coming into the business. This will hopefully then give you an idea of where your cash position will be if things deteriorate and people stop paying their bills.

Armed with this information you will then be able to make some decisions about what mitigating actions you might be able to take. Some of the other articles in this guide provide information about some grants and sources of funding that might be available to you.

It is important that you plan your cashflow carefully and where shortfalls are predicted plan to fill the gaps with mitigating actions you can take and also using the support schemes that are available.

WORKING CAPITAL

In these difficult times, the following points are intended to help maintain a fluid movement of cash into your business:

1. Invoicing

- Issue invoices more regularly and consider invoicing upfront or sending interim bills.
- Look at offering discounts, for example 5% if payment is made within 7 days to bring forward receipt of the money.
- If taking on any new customers ensure you use a credit check report for example, Experian.

2. Debt Collection

- If you use a cloud-based accounting package, look at the possibility of automating your debt collection system, for example Chaser.
- If you have debts beyond your payment terms look at placing the invoice with a debt collection company.
- Look at financing your debtors using invoice discounting.
- If you have individual large sum invoices look at single invoice finance.
- If customers are struggling to pay be flexible and allow a payment plan by way of monthly direct debit.

3. Stock

- Look at your various stock lines and operate a just in/just out system.

4. Payment to Creditors

- Contact your suppliers to discuss extending terms or agreeing a payment plan.
- If offered an early payment discount by individual suppliers, look at settling their invoices first.

5. Capital Expenditure

- If considering purchasing capital equipment, investigate leasing the equipment rather than purchasing.
- Purchase any new equipment via a hire purchase agreement.
- Extend the term of the hire purchase agreement to reduce the monthly payments.

6. Cash

- Transfer any excess cash into a deposit account.
- Look at other investment opportunities whereby you still have quick access to the funds if required.

TIME TO PAY (TTP) ARRANGEMENTS

'All businesses and self-employed people in financial distress, and with outstanding tax liabilities, may be eligible to receive support with their tax affairs through HMRC's Time To Pay service. These arrangements are agreed on a case-by-case basis and are tailored to individual circumstances and liabilities' from the gov.uk website.

A TTP is an arrangement to allow a business suffering temporary financial difficulties to pay its tax liabilities over an extended period of time, rather than on the day they fall due. VAT, PAYE and Corporation Tax can all be subject to TTP arrangements.

In a measure to probably take the pressure off HMRC's TTP teams, a new VAT and Income Tax deferral scheme was announced by Rishi Sunak. We understood that HMRC were agreeing nearly all Time To Pay requests so this announcement really just formalises the situation and with some clients reporting waiting times on the phone of around two hours it's clear that the system was nearly at breaking point.

VAT

The scheme, open to all UK businesses and automatic so no application required, will allow the deferral of VAT payments from 20 March until 30 June 2020. This effectively covers a whole quarter of payments. VAT due on any periods ending on 29 February 2020 would have been due by 7 April which is within the deferral period. The key to watch for here is that for February stagger periods the May VAT liability will still be due on 7 July 2020.

Businesses have until the end of the 2020-2021 tax year so in theory 5 April 2021 to settle the deferred amounts accrued during this period.

If there is a downturn in trade, this would affect the next quarter's VAT due anyway, and any repayments are being processed as normal.

Businesses should still file their VAT return by the due date, but make no payment. If you have an automatic direct debit with HMRC for VAT payments, you should cancel that.

Income Tax

Second Payments On Account (POA's) were due on 31 July 2020. These are now also deferred until 31 January 2021 where the balancing payment for the tax year 5 April 2020 and first POA for the following year are due.

Again this is an automatic scheme open to all tax payers in Self-Assessment (SA). It will be important to get 5 April 2020 tax returns done quickly to establish the true liability so that cash flow planning can be done ahead of January 2021.

The .gov website says that no penalties or interest will be charged in the deferral period.

Following announcements on the 20 March 2020 TTP arrangements will only be needed for PAYE and Corporation Tax deferral whilst the VAT and Income Tax deferral schemes are in place. Once those schemes come to an end, TTP options will be open again. This will remove some of the strain on HMRC contact centres in the short-term.

Other taxes

Payroll taxes (PAYE and National Insurance), Duties and other taxes (eg Capital Gains Tax, Corporation Tax, Stamp Duty etc) do not have an automatic deferral scheme. Therefore, if you wish to defer payments of these longer than the due date, you are required to obtain agreement from HMRC. In our experience, all deferrals are being agreed so far.

Existing TTP arrangements

TTP is appropriate where the business is suffering temporary financial difficulties rather than fundamental ongoing financial difficulties. In this regard, the government has already recognised that TTP is a valid route for businesses suffering as a result of the current ongoing Covid-19 pandemic.

The government has set up a dedicated HMRC Coronavirus Helpline – **0800 024 1222**. This helpline is currently open Monday to Friday 8am to 8pm and Saturday between 8am and 4pm.

HMRC has stated that this helpline can be used to:

- Agree instalment arrangements
- Suspend debt collection proceedings
- Cancelling penalties and interest where you have administrative difficulties contacting or paying HMRC immediately

We can help you with this process or you can call the helpline yourself. HMRC prefer that they are approached before the liability falls due though historically, they have still considered matters if they were contacted after the due date.

In normal circumstances during the call you would need to explain what has caused the problems and have a clear idea of how much you could afford to pay (ideally supported by cashflow projections). Typically, HMRC have tried to keep the length of TTP arrangements to 6 months or less though longer arrangements have been achieved in the past. Things might be slightly different in the current climate; we have seen instances of HMRC simply 'parking' payments for 2 months to allow some time for conditions to improve. It seems that HMRC are being helpful, but we anticipate that they will be receiving a very large number of calls.

If you or your accountant is unable to speak to HMRC in the days approaching your due date for payment, as an additional option, you may wish to write to HMRC, setting out the reasons for your late payment and that you would wish to agree a TTP arrangement, but haven't been able to make contact with HMRC. Post it so that it is recorded as being delivered. We expect that this would avoid any eventual penalties when HMRC are able to revert to a normal level of activity. As stated above, you do not need to make contact with HMRC at all if you are deferring your next quarter's VAT, unless you are already under a TTP arrangement which you cannot meet.

BUSINESS RATES RELIEF FOR CERTAIN RETAIL, HOSPITALITY AND LEISURE BUSINESSES

The Chancellor announced that all retail, hospitality and leisure businesses will not have to pay business rates for the tax year 2020/21.

Shops, pubs, clubs, theatres, cinemas, music venues, restaurants and any other businesses in the hospitality, leisure and retail sectors with a rateable value of less than £51,000 will also receive a cash grant of up to £25,000 per business to help bridge through this period.

For businesses which do have a policy that covers pandemics, the government's action is sufficient and will allow businesses to make an insurance claim against their policy.

All enquiries on the eligibility for, or provision of, the reliefs should be directed to the relevant local authority. Please note reliefs are not currently the same for businesses in Scotland.

Guidance on the scheme is due to be published by 20 March and was not available as we went to press with this alert.

GRANT SCHEME FOR SMALL BUSINESSES WITH RATEABLE PREMISES

The government is providing funding for local authorities by making cash grants of £10,000 available to very small businesses with rateable values below £15,000. Already part of the Small Business Rate Relief (SBRR) or Rural Rate Relief, the one-off grant of £10,000 will aim to help businesses meet their ongoing costs. This was previously announced in the Budget on 10 March 2020 to be a grant of £3,000.

If your business is eligible for SBRR or Rural Business Rate Relief, you will be contacted by your local authority – you do not need to apply. Funding for the scheme will be provided to local authorities by government in early April.

CAPITAL EXPENDITURE DEFERRAL

In a time of uncertainty any capital expenditure needs to be assessed to determine if it is either essential for the continued running of the business or will generate significant new cash inflows.

It isn't advisable for a business to use available cash or overdraft to fund capital expenditure as this will deplete the working capital and potentially make it less resilient.

There are many sources of finance for capital expenditure such as hire purchase and leasing which can match the expenditure more in line with the useful life of the particular asset, resulting in less pressure on cashflow and working capital.

Capital expenditure relating to your computer system is potentially one area where expenditure cannot easily be deferred, if for example staff are now working from home the robustness of your system could be even more critical. Replacing in-house servers with a cloud-based subscription alternative might now be a more cost-effective alternative to consider. Another way of deferring expenditure in replacing computer servers at the end of their lives is to explore whether extended warranties can be purchased, and servers instead replaced on a one by one basis.

MORTGAGE & LOAN HOLIDAYS/ DEFERRING LEASE OR RENTAL PAYMENTS

In recognition of the fact that the challenges faced by businesses as a result of Covid-19 are likely to quite quickly trickle down to staff and the general public, the government has announced that mortgage

lenders will support individuals that are experiencing financial difficulties as a result of Covid-19 by providing mortgage payment holidays of up to three months. For individuals needing this support, the mortgage provider should be the first point of contact.

The mortgage holiday support is available for both homeowners and investment property owners.

In addition to the government led loan repayment holiday initiative, it is encouraging to see that a number of lenders are also starting to offer loan interest repayment holidays of up to six months. This initiative is expected to be extended by the lenders, especially for personal loans and for commercial loans by negotiation.

APPROACHING LANDLORDS FOR DEFERRED PAYMENTS

We recommend that you ensure that you know the key dates and terms of your property leases. If you are approaching a break clause you are likely to be in a stronger position when negotiating with the landlord about rental payments. Some leases contain complex and onerous dilapidation provisions, as well as very specific requirements in order to make a notice under the break clause effective, so professional property advice is recommended.

Identify any surplus property you occupy on short term arrangements so that you can consider vacating them saving unnecessary costs. For example, are you storing obsolete stock or old paperwork in off-site warehouses? Do you really need to, or could you relocate these to your main premises (even in temporary containers in your carpark) or decide to destroy?

If your staff are now working from home to some extent, then some initial thought could be given to your requirements for space in the future. If working from home is successful and becomes the expected norm for many staff how much space will you need in the future?

Once the above points have been considered it is advisable to approach your landlords at the earliest opportunity in order to negotiate deferred payments. Banks have pledged to support landlords with mortgage and loan payment holidays so the sooner you approach your landlords the more likely it is that they can make suitable arrangements with their bank and therefore be more agreeable to deferred rent payments.

MISSING COMPANY DEADLINES

Concerned about missing company accounts filing deadlines?

Companies House has released new guidance on what to do should you feel that you might not be able to file your company's accounts on time. Whilst their line is very much that accounts and other documents such as the annually filed Confirmation Statement must still be filed they do advise that if immediately before the filing deadline it becomes apparent that accounts will not be filed on time, they will accept an application to extend the period allowed for filing.

The key message is to act now and not leave it until the filing deadline has passed. Make an application early as they are likely to be inundated with extension requests and their team is likely to be disrupted too.

STATUTORY SICK PAY (SSP)

The government announced on 4 March 2020 that emergency legislation would be introduced for the payment of statutory sick pay (SSP) to employees with the coronavirus. They will be entitled to receive SSP from day one, not day four, of their illness.

From 13 March 2020, all those who are advised to self-isolate due to the coronavirus outbreak are entitled to be paid SSP, provided they meet the other qualifications. Currently, this is expected to last for a period of eight months.

Paying staff during the coronavirus epidemic

Businesses with fewer than 250 employees (employed as of 28 February 2020) can reclaim the cost of providing Statutory Sick Pay (SSP) to employees off work due to the coronavirus.

The government will work with employers over the coming months to set up the repayment mechanism but says that the eligibility criteria will be as follows:

- This refund will cover up to 2 weeks' SSP per eligible employee who has been off work because of COVID-19
- Employers should maintain records of staff absences and payments of SSP, but employees will not need to provide a GP fit note
- Eligible period for the scheme will commence the day after the regulations on the extension of SSP to those staying at home comes into force.

ACAS has issued helpful advice on certain scenarios and how businesses should approach them.

USING HOLIDAY AND FLEXIBLE WORKING

As a result of the coronavirus outbreak, organisations may see an increasing number of staff wanting to cancel pre-booked periods of annual leave. Whilst it is up to the employer whether they choose to approve or deny such requests, they should consider whether permitting this may be a key method of maintaining staff morale.

If a business has to go into a temporary closure, or an employee is asked to self-isolate but feels well enough to work, permitting a period of annual leave could be an alternative to laying-off staff, or a solution if an employee cannot work from home. However, it should be remembered that organisations must provide at least twice the amount of time of the leave they want staff to take if they wish to enforce it. In this situation, they should instead seek to negotiate a period of leave.

TAKING TIME OFF TO CARE FOR SOMEBODY

Employees are entitled to take a reasonable amount of unpaid time off to take action in relation to unforeseen events involving a dependant, defined as follows:

- spouse/civil partner
- child
- parent
- person who lives in the same household but is not a tenant, lodger, boarder or employee
- those who reasonably rely on you for the provision of care or for assistance if they fall ill. This could be, for example, an elderly neighbour.

It is not possible to define what a reasonable amount of time is because this will depend on the specific circumstances in question. The same event may require varying amounts of time off for different people, or even the same person if it happens more than once on different occasions.

MARKETING – THE OUTSIDE WORLD

Your customers will want to know that there is someone there who cares about their business, they will also want to know whether you are still 'open for business'. However, email traffic is currently full of companies communicating their COVID-19 policies, this will soon lose impact and will be ignored/deleted.

Ensure you have emailed or spoken to all of your customers, if this is not possible – contact your key customers first and gradually work through the list. Where possible, provide reassurances about your resilience and ways in which you can help them or avenues in which you can collaborate to overcome economic difficulties.

INTERNAL COMMUNICATION

It is vital to know the facts and communicate proactively with all employees-using clear, compassionate, and understandable messages. This not only demonstrates leadership, but also provides reassurance and instils a sense of trust among employees.

An internal communication plan should be established (if you haven't one in place already), or updated, as a means of reaching employees through combinations of emails, intranet postings, flyers/ posters, manager talking points, FAQs or a website hub. The plan should identify simple, key messages, along with a reliable process for providing continual updates and collecting feedback from employees.

State the facts: Connect employees to timely, accurate information from the Government. Provide clear instructions about what to do if employees suspect they have been exposed to Coronavirus (COVID-19).

Demystify the fear and outline the steps you are taking on behalf of employees: Communicate the facts from authoritative resources on how Coronavirus is spread and how to avoid infection. Clearly articulate and communicate preventive actions you are taking to avert or contain transmission of Coronavirus at work (focus on technology and techniques for employee safety, hygiene, disposal).

Promote safety steps that employees can take at work if they are still in working premises: Use posters, memos, emails, intranet postings, manager talking points, FAQs, etc. to promote preventative actions employees can take (hygiene and avoidance) – see Government recommendations. (Describe the impact this would have to the business, the potential impact of an outbreak on your operations, services, travel, supply chain, business, revenues, etc., so employees can plan accordingly).

Summarise company policies/procedures: Attendance, paid time off, payroll, travel, and group meetings, work-from-home policies where possible (to potentially limit any spread of the virus among employees/ reduce human-to-human contact).

Promote safe travel policies: Consider your stance on employee travel and restrictions. Promote alternatives to travel, such as web conferencing and phone meetings. If employees must travel, offer clear guidance on safety protocols, referring to guidance from the Government.

The frequency of the communications will depend on the business need, but in general the information should be cascaded whenever there is a change of direction or policy that impacts the business and employees. In addition, if there has been no material change to the situation for several days, it is good practice to send communications that reiterate the current situation within the business.

Working from Home measures: for workers who are working from home and not furloughed, keep in contact with them using the various methods of communication technology which are available, agree what working hours they will keep (many are also managing childcare and home schooling), support their mental health and physical health, and ensure access to your technology considers cyber security.

And finally...

The government's latest advice for business can be found at <https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/covid-19-support-for-businesses>.

The advice contained in this guide is relevant and correct up to 9 April 2020.



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