

ACTIVE PRACTICE UPDATES

APRIL 2020



CORONAVIRUS SUPPORT FOR BUSINESSES

Options to limit the financial damage of COVID-19.

It's hard to believe Rishi Sunak has only been the Chancellor since Valentine's Day, given what he's had to deal with in a matter of weeks since.

On the back of delivering a Spring Budget, Sunak has revealed an unprecedented multi-billion-pound stimulus package to support businesses in the UK feeling the effects of the coronavirus.

From business continuity to accessing government grants and loans, we're here to advise you during this challenging time. If you need a business health-check or immediate advice on managing cashflow, get in touch.

The following measures are accurate as of 31 March 2020.

SUPPORT FOR THE SELF-EMPLOYED

Self-employed workers who are affected by COVID-19 can apply for a grant to cover 80% of their average monthly profits from the last three years.

The taxable grants are worth up to a maximum of £2,500 a month and will be paid in a single lump sum, but the funds won't arrive until June at the earliest.

The **self-employed income support scheme** will be open for an initial three months, although Sunak may extend it beyond that.

It will cover around 95% of the UK's self-employed population of five million workers with trading profits of up to £50,000 a year.

To further support the self-employed, the next batch of **2019/20 payments on account**, due on 31 July, are also being deferred until 31 January 2021.

During the outbreak, the minimum income floor for **universal credit** will be suspended for those who have COVID-19 or are self-isolating. The payments are at the same rate as statutory sick pay (SSP).

Meanwhile, the **contributory employment and support allowance** will be temporarily available from the first day a person is sick or self-isolating, rather than day eight.

SUBSIDISED WAGES

Prime Minister Boris Johnson used one of his daily COVID-19 briefings to urge companies to "think very carefully" before laying off any staff in a bid to cut costs. On the back of that, a **coronavirus job retention scheme** was announced.

For at least the next three months, all employers can obtain grants from HMRC to cover up to 80% of wages for retained workers, up to £2,500 a month. This scheme can be backdated to 1 March 2020 and may be extended.

INTEREST RATES

Small businesses that rely on credit, such as bank loans or overdrafts, have been boosted by the Bank of England's decision to reduce interest rates.

In an emergency move to help firms deal with the coronavirus pandemic, rates were cut to 0.1% – the lowest ever in the Bank's 325-year history.

BUSINESS RATES RELIEF

Thousands of additional business properties should benefit from 100% relief on their business rates for 2020/21, as the business rates retail discount increased this month.

It usually only applies to retail businesses with a rateable value under £51,000, but has been extended to cover all retail businesses, regardless of their rateable value.

It also applies to leisure, hospitality and nursery businesses, so museums, theatres, gyms, pubs, shops, music venues, restaurants and hotels will pay no business rates in 2020/21.

Depending on your local authority, this should apply to your next council tax bill. However, they may have to reissue your bill automatically to exclude the business rate charge.

CASH GRANTS

If your business paid little or no business rates in 2019/20 because it qualifies for small business rate relief or rural rate relief, you may be eligible for a £10,000 grant. Your local authority will contact you this month about this support.

Retail, hospitality and leisure firms that operate smaller premises and have a rateable value of between £15,000 and £51,000 can receive a small business grant of up to £25,000. Funding should be provided this month.

BUSINESS INTERRUPTION LOANS

The coronavirus business interruption loan scheme offers financial support of up to £5m to SMEs that have lost revenue or seen their cashflow disrupted due to COVID-19.

There are more than 40 lenders offering finance in the form of term loans, overdrafts, asset finance and invoice finance, with no interest due for the first 12 months.

To be eligible, small firms must:

- be UK-based, with turnover of no more than £45m a year
- operate within an eligible industrial sector (a small number of industrial sectors are not eligible for support)
- have a sound borrowing proposal, but insufficient security to meet a lender's normal requirements.

A list of accredited lenders, along with how you can apply, can be found on the British Business Bank's website.

STATUTORY SICK PAY REFUND

Firms with 250 or fewer employees can get a refund of up to two weeks' SSP they have paid for employees due to the coronavirus.

For the duration of the outbreak, SSP must be paid to employees from day one of their sick leave, instead of day four. It also applies not only to people who are unwell, but to people who are self-isolating under government guidance.

You should maintain records of all staff absences, but your employees do not need to provide a fit note from their GP.

DELAYING TAX PAYMENTS

VAT-registered firms will have their **VAT payments deferred** during the period between 20 March and 30 June 2020.

They have until 5 April 2021 to repay any liabilities accumulated during the deferral period. This is an automatic process with no applications required.

If you have other outstanding tax liabilities and cannot pay them because of coronavirus, any business may be eligible to receive help through HMRC's **Time To Pay service**.

This is dealt with on a case-by-case basis, however, so you'll need to call HMRC's dedicated COVID-19 helpline on 0800 0159 559 to find out about the kind of support that's available.

WHAT HAPPENS NEXT?

Much of the support outlined above won't be available for a while, leaving many firms facing immediate cashflow problems.

The Government's advice is to use loans through CBILS in the short-term or, in the case of the self-employed, to apply for universal credit, access to which has temporarily been eased.

In the meantime, there are some other steps you could take. For example, review your three-month cashflow forecast.

You might also look at any immediate outgoing payments that can be stopped, such as subscriptions, and discuss payment holidays on loans and premises rental.

At the same time, you could also take this opportunity to step up chasing payments, especially those that are already late.

Contact anyone who owes you money and ask them to pay, if they can, or arrange a clear payment plan. If the work you can do now is limited, try to take deposits for what you can do in the future, once the epidemic has passed.

Many banks have signalled their willingness to be flexible in what is, after all, a challenge for the entire nation. Emergency loans or overdraft facilities may be available.

It might also be possible to defer mortgage payments on both commercial property and your private residence, or to agree in principle that this could be arranged at some point in the future. They may be willing to relax repayments of any existing loans.

Business interruption insurance is usually sold to compensate for damage to premises and generally excludes pandemics.

That said, look at the small print of your policy to see if it extends to 'notifiable diseases' to potentially cover any losses.

📩 Get in touch for advice on managing cashflow.