



COVID-19 Business Support

Understanding funding, tax deferral schemes,
and other government initiatives



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Government Initiatives: At a Glance

Companies across the country, and indeed the world, are dealing with unparalleled challenges as the enforced closure of premises and increasingly strict social distancing measures slam the brakes on business as we know it in the wake of the escalating coronavirus crisis.

In the face of this challenging environment, the UK government has introduced an unprecedented combination of measures to support businesses across the country as they deal with the potential fallout of this global pandemic. These are temporary schemes put in place to address the unique pinch points which will be felt by companies over the coming months.

Encompassing emergency funding options, tax deferral measures, as well as standalone initiatives to preserve jobs and cut outgoings, the proposals are designed to help as many businesses as possible, irrespective of size or sector.

Funding Options:

As trade decreases and income falls, many companies will be in need of an injection of capital to bolster their cash flow if business is to continue. There are three main schemes to help companies access these much-needed funds.

- **Coronavirus Business Interruption Loan Scheme (CBILS)** – Providing government-backed loans and other channels of funding such as asset and invoice finance. Both long- and short-term products have been made available, allowing SMEs to access the right type of finance as their unique circumstances require.
- **Bounce Back Loans** – Small businesses can borrow up to 25% of their turnover up to a maximum of £50,000 through a Bounce Back Loan. Loans are offered on terms up to six years and are designed to help the UK's smallest businesses 'bounce back' from COVID-19 challenges.
- **COVID Corporate Financing Facility (CCFF)** – For larger corporations that are feeling increasing financial pressure as a direct result of the business disruption caused by COVID-19. Administered by the Bank of England, short-term funding will be made available in the form of commercial paper.

Tax Deferral Schemes:

When cash flow is squeezed, many companies will struggle to find the necessary funds to meet their outgoings as and when they fall due. To ease the burden, businesses will now be permitted to defer certain HMRC debts in order to free up short-term liquidity, allowing for other creditors to be paid and the supply chain to continue flowing.

- **Time to Pay (TTP) Arrangements** – The existing TTP scheme will be extended, meaning more companies will now be able to enter into an arrangement with HMRC to spread their tax obligations over a longer period of time.
- **VAT Deferral** – The upcoming quarterly VAT payment will be deferred for businesses.
- **Self-Assessment Deferral** – Self-Assessment payments for the self-employed will also be deferred. It has been confirmed that these payments, which were originally scheduled for 31 July 2020, will now not be due until January 2021.

Grants and other measures:

A raft of other measures have been made available for businesses requiring temporary relief. These initiatives are wide-ranging and it is expected that the majority of businesses will be eligible to take advantage of a number of these.

- **Coronavirus Job Retention Scheme**
– Helping companies retain their staff when business has been forced to stop.
- **Self-Employed Income Support Scheme** – A taxable grant for the self-employed giving parity to the help offered to salaried workers through the Coronavirus Job Retention Scheme.
- **Business rates holiday** – A reprieve from paying business rates for those in the retail, leisure, and hospitality sector, regardless of their rateable value.
- **Statutory Sick Pay (SSP) reimbursed**
– Companies will now be able to reclaim SSP which has been paid to employees for up to two weeks.
- **Grants for SMEs** – Non-repayable cash grants of will be made available to help those in the retail, leisure, and hospitality industry.

Many smaller businesses outside of these sectors will also be entitled to a government grant.

The government is promising to exercise agility during this time and assurances have been made that the above measures will be revisited at regular intervals to ensure they remain appropriate and fit for purpose as the situation develops. It is expected that further initiatives will also be announced as new ways to help businesses, sole traders, and employees become necessary.

Funding Options: In Depth

Coronavirus Business Interruption Loan Scheme (CBILS)

A temporary replacement of the existing Enterprise Finance Guarantee Scheme, CBILS will give companies easier access to both mainstream funding as well as smaller specialist lenders. Lenders will not be able to request personal guarantees for loans under £250,000. Security to the lender will be provided by the government who will guarantee 80% of the amount borrowed.

Key Points

- Firms with turnover up to £45m can borrow up to £5m
- Businesses with turnover of more than £45m per year can apply for up to £25m
- Companies with a turnover in excess of £250m can apply for up to £50m
- No interest payable for the first 12 months
- Responsibility for repaying the loan or finance facility remains with the borrower
- Personal guarantees cannot be requested for loans up to £250,000
- Government will provide security for 80% of the loss to the bank should the borrower be unable to pay
- Range of funding options including loans as well as asset and invoice finance
- Funding from high street banks as well as specialist lenders
- Over 40 accredited lenders taking part in the scheme
- Borrowing through CBILS was made available as of Monday 23 March 2020

What type of borrowing is available?

- Access to a range of revolving and term finance options including:
 - Business loans and asset finance (terms of up to ten years)
 - Overdrafts
 - Invoice finance and revolving facilities (terms of up to three years)

Is CBILS right for my business, and do I qualify?

- Must have a 'sound borrowing proposal', which would be considered viable by the lender outside of current conditions
- Lender must be convinced the borrowing will help the company trade out of the current situation and remain in business in the long term
- Funding will not be granted to prop up an already failing business

Bounce Back Loans

A recent addition to the government's COVID-19 support package, Bounce Back Loans are aimed at small businesses struggling to access credit. Companies cannot have both a Bounce Back Loan as well as funding through CBILS, however, existing CBILS borrowing can be transferred to a Bounce Back Loan if desired.

Key Points

- Loans between £2,000 and £50,000
- Borrow up to 25% of turnover up to a maximum of £50,000
- 100% of the loan is guaranteed by the government
- No interest, fees, or repayments need to be made for the first 12 months
- Terms of up to six years
- Loans provided through a network of 'accredited lenders'
- Available from 4 May 2020

What type of borrowing is available?

- Funding takes the form of a loan which is repayable by the company over an agreed term of up to six years. Other funding options such as invoice or asset-based lending are not available under this scheme.

Is a Bounce Back Loan right for my business, and do I qualify?

- Available to UK businesses
- Company must have been negatively affected by COVID-19
- Business was not an 'undertaking in difficulty' as of 31 December 2019
- Not available in conjunction with CBILS. Transfers from CBILS to the Bounce Back Loan scheme can be arranged with lenders until 4 November 2020

COVID Corporate Financing Facility (CCFF)

Larger corporates, for which CBILS is not appropriate, can access funding via the COVID Corporate Financing Facility.

- Only available to investment grade businesses
- Administered by the Bank of England on behalf of HM Treasury
- Short-term finance option
- Funding through the issuing of commercial paper of up to one-year maturity
- Financing offered on terms comparable to those in the period before the COVID-19 outbreak
- Scheme will operate for an initial 12-month period, although this may be extended
- Six months' notice will be given before the facility is removed
- Designed to help support the payment of wages, suppliers, or to increase general cash flow
- Details on how to apply can be found on the Bank of England website

- Scheme in operation since Monday 23 March 2020

What type of borrowing is available?

- Short-term commercial paper
- Minimum £1m
- Maximum loan amount will be determined by the Bank of England and will likely be considered on a case-by-case basis
- Terms of one week to 12 months with drawings able to be rolled over

Is the CCFF right for my business, and do I qualify?

- Available to non-financial businesses only
- Only firms that are deemed to make a 'material contribution' to the UK economy will qualify
- Must be able to demonstrate that the company was in sound financial health prior to COVID-19 and any current financial difficulties are a direct result of this ongoing crisis
- Minimum credit rating required. This will be based on credit ratings prior to the emergence of the coronavirus outbreak

- No requirement to have issued commercial paper previously

Tax Deferral Schemes: In Depth

Time to Pay (TTP) Arrangements

Time to Pay is an established scheme that helps companies to negotiate a mutually agreed payment plan with HMRC when they fall behind with their tax obligations. In light of the wide-scale business disruption caused by COVID-19, this scheme will be temporarily extended – and the qualification criteria relaxed – to allow more companies to enter into a TTP arrangement.

How does a TTP work?

- Formal payment plan with HMRC
- Tax arrears paid over an agreed time period, typically between 6–12 months
- All forms of tax can be incorporated in one TTP plan including VAT, Corporation Tax and PAYE

What can be negotiated with HMRC?

- Implementing an instalment plan which satisfies both parties
- Suspension of ongoing or imminent debt collection proceedings
- Cancellation of accrued penalties and interest

How is TTP being managed in light of COVID-19?

- Relaxation of standard criteria, although businesses still need to demonstrate their viability in the long term
- Previous conduct and compliance with HMRC will form part of the eligibility checks
- A company must demonstrate other options have been considered with TTP being deemed the most suitable course of action
- Dedicated HMRC helpline set up to provide help, advice, and support on TTPs. The specialist TTP team at HMRC can be contacted on 0800 0159 559.

VAT and Self-Assessment Deferral

VAT

- The upcoming quarterly VAT payments encompassing the period 20 March – 30 June have been deferred
- VAT for this period will now be payable by the end of the 2020–21 financial year
- All VAT-registered UK businesses eligible
- Automatic entitlement with no application necessary although any existing direct debit mandate will need to be cancelled
- VAT refunds and reclaims will be paid as normal by the government

Self-Assessment

- Income Tax Self-Assessment payments have been deferred
- Payments which were originally scheduled for 31 July 2020 will now not be due until January 2021
- All self-employed individuals are eligible
- Automatic entitlement with no application necessary
- No late penalties will be charged throughout the deferral period

Grants and Other Measures: In Depth

Coronavirus Job Retention Scheme

With the enforced closures of leisure, retail, hospitality, and other non-essential establishments, came the fear that companies would be unable to continue paying their staff, leading to wide scale redundancies and contract terminations. In an effort to combat this, the Coronavirus Job Retention Scheme has been put in place to enable companies to keep employees, who would have otherwise been laid off, on the payroll.

- Wage subsidy which covers 80% of a qualifying employee's wage
- Employers must identify applicable 'furloughed' workers and notify them that their status has changed accordingly
- Monthly cap of £2,500 per furloughed employee
- Employees can top up salaries above this level if they choose
- Online portal allows employers to submit information on designated furloughed workers and apply for partial reimbursement of their salary

- Scheme will run until 30 October 2020, although employers will be expected to contribute to the cost from the end of July
- Available to all UK businesses

Self-Employment Income Support Scheme

With the self-employed just as likely to be suffering a downturn in trade, a support package has been put together which is designed to mirror the help given to employees through the Coronavirus Job Retention Scheme. Aimed at those for whom more than half of their income comes from self-employment and who have experienced a drop in trading profits due to COVID-19.

- Non-repayable grant which covers 80% of average monthly profits
- Average monthly profits calculated based on previous three years
- Subject to a £2,500 monthly cap
- Only available to those with yearly earnings below £50,000
- Must have a tax return for 2018-19
- Grant will be taxable and must be declared on returns by January 2022

- Not available until June, however payments will be backdated to March and paid as a single lump sum
- Will run until 30 June 2020 and may be extended beyond this point
- Self-employed individuals can continue to work while receiving this grant

Business Rates Holiday

Originally announced in the Budget, a business rates holiday for those in the retail, leisure, and hospitality sector has recently been extended to provide greater support to an industry which was already under pressure.

- All retail, leisure, and hospitality businesses in England will be given a 12-month business rates holiday, regardless of their rateable value
- This includes shops, restaurants, bars, cafes, cinemas, live music venues, and hotels, amongst others
- The business rates holiday is available to all companies – big or small – within this sector, not just SMEs
- Automatic entitlement with no application necessary

- Council tax bill for April 2020 will be issued – or reissued – to exclude the charge for business rates
- A business rates holiday will also be introduced for nurseries in England for the 2020–21 tax year

Statutory Sick Pay (SSP) reimbursed

Given the nature of COVID-19, an increasing number of employees are expected to be absent from work over the coming months due to illness or compulsory self-quarantine. The government has pledged to help companies bear some of the financial cost of this through a reimbursement of SSP.

- Employees will be eligible for SSP from the first day of illness rather than the fourth
- When illness is directly related to coronavirus, employers can claim back the cost from the government to cover a two-week absence
- Available to all UK-based companies with fewer than 250 employees (as of 28 February 2020)

Grants for SMEs

Two forms of one-off cash payments will be made available to qualifying businesses in England. These will be made through the Retail and Hospitality Grant Scheme and the Small Business Grant Scheme. Both types are non-repayable and are designed to help businesses with their ongoing costs at a time when their income is likely to be reduced.

- £25,000 will be given to all businesses within the retail, leisure, and hospitality sector that have a property which attracts a rateable value of between £15,000 and £51,000
- £10,000 will be made available to smaller businesses currently in receipt of small business rate relief (SBBR) or rural rate relief (RRR) as part of the Small Business Grant Scheme
- Available to eligible businesses based in England
- Grants will be made by the local authority
- No application is required; qualifying businesses will soon receive communication from their local authority about how the scheme will work in practice

How UK Administrators Can Help

As COVID-19 continues to spread and the effects are felt by more and more businesses, it is good to know where you can turn for specialist help and support.

UK Administrators has a highly experienced team of insolvency, restructuring and commercial finance experts ready to help you and your business through this time of unrepresented challenges. A truly interdisciplinary team, we can provide industry-leading and sector-specific advice and support when you need it most.

Here are some of the ways UK Administrators can help your business during this uncertain time:

- **Restructuring and Turnaround** – Disruptions to your regular business processes could highlight non-performing areas or those which require operational improvements. This may be achieved through a process of streamlining or corporate simplification; in other cases, however, more formal action such as placing the company

into administration will be required to provide the necessary breathing space and legal protection. We can also assist with implementing a Company Voluntary Arrangement (CVA) for companies experiencing rising creditor pressure.

- **Insolvency advice** – When financial distress reaches unmanageable levels and the company is facing insolvency, our licensed insolvency practitioners can advise whether placing the company into voluntary liquidation is appropriate for your business, or whether there is a viable alternative option.
- **Time to Pay and HMRC negotiation support** – While HMRC is likely to be more open to negotiations in light of the current situation, it is still vital that you are able to present your case in a clear and convincing manner. If you would like an expert on your side during these crucial discussions, our team have a proven track record of negotiating favourable terms for businesses struggling to keep up with their tax obligations.

- **Sourcing emergency funding** – Timely access to funds can be the difference between a company riding out this storm or succumbing to the pressure. With an established network of lenders we can scour the market to locate appropriate channels of funding which meet the needs of your business both now and also in the future – in the most cost-effective and time-efficient manner possible. We make it a priority to get the funds into your business as soon as possible, allowing you to put them to use immediately.

Seeking expert advice when it comes to business distress has never been more important than it is right now. We can provide help directly to company directors, as well as assisting accountants, solicitors and other professional advisors on behalf of their clients.

For further information or advice, please contact the UK Administrators helpline on:

0800 056 0510





Tel: 0800 056 0510
www.ukadministrators.org.uk

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