



Protecting your business during the Covid-19 outbreak

17 June 2020

Protect your business during the COVID-19 outbreak

Coronavirus is a global health crisis with far reaching implications, the extent of which is still becoming apparent. Many of us are feeling a combination of fear and frustration, but for business owners there is a lot at stake.

With the global financial markets in crisis and the threat of global recession growing closer, businesses need to build their armour to help survive the onslaught and remain viable. You may not think that your business will be too badly affected, but what about your customers or suppliers? Have you considered the knock-on effect of a change to their positions?

If you are running a business, regardless of size, you need to do all you can to ensure you survive and emerge from this period into the light at the end of the tunnel.

There are many areas of your business that you should pay particular attention to in these uncertain times. You should be looking to take immediate action, if you have not already done so, to improve your readiness for the coming months, and with the right business practice it is possible to turn some problems into opportunities.

We have provided practical tips and advice along with an overview of some of the areas you should be considering to help protect your business.



Key support for businesses: an overview of Government loans and support funds

The Government has set out a package of temporary measures to support businesses through this period of disruption caused by COVID-19.

The below provides a summary of the key measures available at the time of publication, along with the action needed to take advantage of these support measures. However, please note that the situation is changing rapidly so it is important to review the Government's guidance on [COVID-19: support for businesses](#) regularly.

Financial support available	What you need to do
Employee wage support	
<p>The Coronavirus Job Retention Scheme (CJRS) is an employee wage support grant of up to 80% of salaries, to a maximum of £2,500 pm per employee, plus the associated employment costs of employer's national insurance and employer pension contribution, for designated furloughed workers.</p> <p>From 1 July, employers can bring furloughed employees back to work for any amount of time and any shift pattern, while still being able to claim CJRS grant for the hours not worked.</p> <p>From 1 August 2020, the level of grant will be reduced each month. To be eligible for the grant employers must pay furloughed employees 80% of their wages, up to a cap of £2,500 per month for the time they are being furloughed.</p> <p>Wage caps are proportional to the hours an employee is furloughed. For example, an employee is entitled to 60% of the £2,500 cap if they are placed on furlough for 60% of their usual hours.</p> <p>The Coronavirus Job Retention Scheme will close on 31 October 2020.</p> <p>More on the scheme and who is covered and what is covered can be found in our CJRS FAQs here.</p>	<p>It is now too late to add previously unfurloughed employees to the scheme, with the exception of those employees who have been on statutory parental leave.</p> <p>Claims for the period from 1 July onwards cannot be made until 1 July and the last date for making claims for individuals furloughed before 1 July is 31 July.</p> <p>To claim for wages through the CJRS, view the government guidance here.</p>
Tax payments	
<p>Statutory Sick Pay (SSP) relief package for small and medium sized businesses.</p> <p>Employers with fewer than 250 employees can reclaim SSP for a maximum of two weeks per employee for an employee that has claimed SSP as a result of COVID-19.</p>	<p>Ensure you maintain records of staff absences and any payments of SSP.</p> <p>Employees do not need to provide a GP fit note, however a note can be obtained through the NHS 111 isolation note service if required by an employer.</p>
<p>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. Repayment returns will also continue to be refunded during this period.</p>	<p>Call 0800 024 1222 to discuss time to pay arrangements.</p>

Financial support available	What you need to do
<p>Deferred Valued Added Tax (VAT) and Income Tax payments:</p> <ul style="list-style-type: none"> • HMRC will support businesses by deferring VAT payments for 3 months. The deferral will apply from 20 March 2020 until 30 June 2020, with businesses permitted until 31 March 2021 to repay the accumulated amount. • For Income Tax Self-Assessment, payments due on 31 July 2020 may be deferred until 31 January 2021. You do not need to be self-employed to be eligible for the deferment. 	<p>This is automatic and no application is required. However, if you normally pay VAT by direct debit, you should cancel your direct debit with your bank if you want to take advantage of this option.</p> <p>Please note that deferment is optional and we would recommend you continue to make your payments if you are able to do so. Full payments will be due at the later date and therefore it is important to factor this into your cashflow forecasts.</p>
<p>Business interruption loan scheme</p>	
<p>The Coronavirus Business Interruption Loan Scheme delivered by the British Business Bank to supports SMEs with access to loans, overdrafts, invoice finance and asset finance of up to £5 million for up to 6 years. Interest will be covered by the Government for the first 12 months of the loan.</p> <p>CBILS has been significantly expanded along with changes to the scheme's features and eligibility criteria. The changes mean even more smaller businesses across the UK impacted by the coronavirus crisis can access the funding they need.</p> <p>A Coronavirus Large Business Interruption Loan Scheme has also been introduced for large businesses, with an annual turnover of over £45 million. All viable businesses with turnover of more than £45 million per year can apply for up to £25 million of finance. Firms with a turnover of more than £250 million can apply for up to £50 million of finance.</p>	<p>The scheme is now open for applications. All major banks are offering this scheme.</p> <p>To apply, you should talk to your bank or one of the 40 accredited finance providers as soon as possible, to discuss your business plan.</p> <p>The full rules of the scheme and the list of accredited lenders are available on the British Business Bank website.</p> <p>If you have an existing loan with monthly repayments you may want to ask for a repayment holiday to help with cashflow.</p> <p>Please contact us if you require support with your loan application.</p>
<p>Coronavirus Bounce Back Loan Scheme</p>	
<p>The Bounce Back Loan Scheme (BBSL) helps small and mediumsized businesses to borrow between £2,000 and up to 25% of their turnover. The maximum loan available is £50,000.</p> <p>The government guarantees 100% of the loan and there will be no fees or interest to pay for the first 12 months. After 12 months the interest rate will be 2.5% a year.</p> <p>Any UK based businesses, excluding banks, insurers, public sector bodies, further education establishments (if grant funded) and primary and secondary schools, can apply.</p> <p>You cannot apply if you're already claiming under the CBILS, CLBILS or COVID-19 Corporate Financing Facility, however if you've already received a loan of up to £50,000 under one of these schemes, you can transfer it into the Bounce Back Loan scheme.</p>	<p>There are 11 lenders participating in the scheme, including many of the main retail banks. You should approach a suitable lender yourself via the lender's website. The lender will ask you to fill in a short online application form and self-declare that you are eligible.</p> <p>Your business must have been trading as of 1 March 2020 and you will need to provide proof that the business was not 'undertaking in difficulty' on 31 December 2019.</p> <p>The lender will decide whether to offer you a loan or another type of finance and you'll be responsible for repaying 100% of the amount borrowed.</p>

Financial support available	What you need to do
Support for innovative business	
<p>The Coronavirus Future Fund has been launched to support the UK's innovative businesses that have been unable to access other government support programmes, because they are either pre-revenue or pre-profit and typically rely on equity investment. AIM quoted companies will not qualify, nor will companies with shares admitted to trading on any other similar market, stock exchange or listing venue.</p> <p>The Future Fund will provide government loans ranging from £125,000 to £5 million, subject to at least equal match funding from private investors.</p> <p>The scheme will be delivered in partnership with the British Business Bank.</p>	<p>The Future Fund launched in May 2020 and is open for applications until the end of September 2020. The application process is investor-led. This means an investor, or lead investor of a group of investors, applies in connection with an eligible company. The eligible company then has to provide and verify information during later stages of the application.</p> <p>Whilst the process is investor led, companies are still able to register their interest. See more information relevant to companies on how to apply for the scheme, who is eligible and what information will be needed to complete the application here.</p>
Support for businesses that pay little or no business rates	
<p>A one-off grant of £10,000 to help small businesses meet their ongoing business costs. Eligible businesses must be based in England or Wales and already pay little or no business rates because of small business rate relief (SBRR), rural rate relief (RRR) and tapered relief.</p>	<p>You do not need to do anything. Your local authority will write to you if you are eligible for this grant.</p>
Support for larger firms	
<p>Under the new Covid Corporate Financing Facility, the Bank of England will buy short term debt from larger companies. This will support companies affected by a short-term funding squeeze, and allow you to finance your short-term liabilities. The scheme is open to firms that can demonstrate that they were in sound financial health prior to the impact of Coronavirus.</p>	<p>The scheme is now available for applications. Companies who wish to use the scheme do not need to have issued a commercial paper before. More information is available from the Bank of England.</p> <p>Please contact us if you require support with your application.</p>
Businesses in retail, hospitality and leisure sectors	
<p>Businesses with a rateable value of under £15,000 will receive a grant of £10,000.</p>	<p>Nothing. Your local authority will write to you if you are eligible.</p>
<p>Businesses with a rateable value of between £15,001 and £51,000 will receive a grant of £25,000.</p>	<p>Nothing. Your local authority will write to you if you are eligible.</p>
<p>Business rate holiday for 20/21 tax year.</p>	<p>No action. This will apply to your next council tax bill in April 2020. Local authorities may need to reissue your bill to exclude the business rate change.</p>
3 month extension to file accounts	
<p>From 25 March 2020, businesses will be able to apply for a 3 month extension for filing their accounts. This is a joint initiative between the Government and Companies House.</p>	<p>You will need to apply for the 3 month extension. By citing issues around COVID-19 you will be automatically and immediately granted an extension. Applications can be made through a fast-tracked online system.</p>
Ban on evictions for commercial tenants who miss rent payments	
<p>Commercial tenants who cannot pay their rent because of Coronavirus will be protected from eviction:</p> <ul style="list-style-type: none"> • No business will be forced out of their premises if they miss a payment in the next 3 months • The measures will last until 30 June, with an option for the Government to extend if needed. 	<p>The measures apply to all commercial tenants unable to pay rent.</p>

Help for self-employed workers

In previous versions of this guide, we have provided our summary of the Government's support scheme geared to the self-employed, the Self-Employed Income Support Scheme (SEISS). The information and guidance available has now been updated and the scheme extended, so in this version of our guide we look at what you will need and how to apply.

The scheme aims to pay a grant to the self-employed (including members of partnerships) worth 80% of average trading profits. The grant will be paid as a single instalment, covering 3 months, and is capped at £7,500 in total.

If you're eligible and your business has been adversely affected you must make your claim for the first grant on or before 13 July 2020. Payment is not made automatically, meaning eligible individuals will need to apply for the grant through the Government Gateway.

It has recently been announced that the scheme is being extended. If you are eligible for the second and final grant, and your business has been adversely affected on or after 14 July 2020 you'll be able to make a claim in August 2020. You can claim for the second grant even if you did not make a claim for the first grant. This grant will be a taxable grant worth 70% of your average monthly trading profits, paid out in a single instalment covering a further 3 months' worth of profits, and capped at £6,570 in total. The online service for the second and final grant is not available yet. [Find out more about the extension to the scheme.](#)

Who is eligible?

HMRC's guidance on SEISS can be found on [their website here](#), but the key conditions include:

- your trade has been adversely affected by COVID-19, eg. you cannot work due to shielding/self-isolation/ caring responsibilities, or have had to scale down or temporarily stop trading
- you submitted tax returns reporting trading income for 2016/17 to 2018/19 (or within that period)
- your average annual self-employed/partnership profits were below £50,000
- at least 50% of your taxable income came from self-employment/partnership income
- you traded in the tax year 2019/20
- you intend to continue to trade in the tax year 2020/21.

It should be noted that those who operate through personal service companies, drawing their income as salary and dividends, will not benefit from the assistance for the self-employed and, as they typically draw low salaries, will not be able to obtain significant income from the Coronavirus Job Retention Scheme. If they do not have resources within their personal service companies, they will need to look to Universal Credit and the Coronavirus Business Interruption Scheme.

You can read more about the SEISS in our [FAQs page](#), where we have summarised some of the key questions we are being asked by clients in relation to the scheme.

What do I need to do?

HMRC have started to contact individuals who they believe may be eligible. They have also published an online tool to check eligibility, [which you can access here](#).

The service simply asks for your UTR (unique taxpayer reference – a 10 digit code found on your tax return) and NI number.

Using this information, you can determine whether the HMRC system currently believes you to be eligible. We have tried it on behalf of some clients and experienced mixed results as compared to expectation.

If you are eligible, you will be advised of the earliest date on which you can claim and you can enter contact details to be prompted by HMRC to do so.

Those who are not considered eligible can complete a request for re-assessment of their circumstances if they disagree.

Please note that agents (such as us!) cannot access the portal or make the claim on a client's behalf.

You will need to ensure that you have a Government Gateway ID in order to make your claim; if you do not already have an account [you can create one here](#), or you can create one when you check your eligibility online.

Other important points to note

Any income received through the grant will be subject to tax and NI so you will need to ensure that you keep records of any grant income, as this will need to be included on your relevant Tax Return.

Sadly, we are aware of SEISS related scams so please be vigilant. HMRC are contacting clients by email or text where they hold those contact details. However, those communications simply tell the taxpayer to get ready to claim – they do not include active links to click in order to make a claim.

Keeping your business running: Practical considerations

When it comes to keeping your business up and running, knowing the right questions to ask and where to find the information you need can make all the difference. We have outlined below some of our top tips for managing this uncertainty over the coming weeks and months.

Watch your credit control

This is obvious advice, but it is imperative that you retain tight control over your debtors. During times of uncertainty cash is king, so if you cannot convert the debtor into cash in a reasonable period of time then you will need to decide if you should be investing your working capital in that customer. Ensure you are invoicing promptly and efficiently and that you have a clear policy on collecting debts, which you enforce. Rather than penalising the bad payers, offer incentives for even faster payment – this may turn out to be more beneficial.

Speak to customers to determine whether or not they are in financial difficulty

If they are, find out if there is anything you can do to help. For example, if they are struggling to pay, can they pay in instalments? However, if they are unable to pay or instalments are not met, you will need to stop servicing them. Ensure you credit check new and potential customers before commencing work; you can access credit reports through various agencies, and can even access information through Companies House.

Prepare a cashflow forecast

To ensure sufficient cashflow through the business, you can prepare a forecast, whether it be on a sheet of paper or using one of the latest software models (or ask for our help!), but you will need a clear idea of how cash will flow in and out of your business over the coming months.

Turn invoices into cash quicker

Make sure all work in progress has been converted into a sales invoice and delivered to your customers. Where possible, send out invoices early. Consider adjusting your payment terms to reduce the number of days a customer is required to pay by. Where possible, take payment up front. This can be done over the phone through payment terminals or by linking 'pay now' facilities to electronic emails. Chase overdue invoices!

Review leases and loans

Take the opportunity to reduce your fixed costs by renegotiating fixed outflows such as lease and loan terms, for example, your agreement with your landlord.

Review supplier agreements

Negotiate your supplier agreements, there may never be a better time! Negotiate lower costs and longer payment terms from your suppliers. They are hurting too but they do not want to lose your business so go for a better deal now.

Shop around for bank facilities

Look around for better deals from other banks. Even if we did not know it before, we have all recently been reminded that it pays to spread the risk around – this applies to your business as well as to the banks. Build relationships with more than one bank and make sure they all know about their competition.

Take stock

If you cannot sell it in a reasonable period of time then do not stock it. Run stock down to a minimum, but be careful that you have sufficient stock left to meet demand. Clear out old stock at cost or below to generate cash.

Look after your employees

Get your staff involved by getting them to suggest ways to streamline the business and improve performance. Communication is key in maintaining morale and employee motivation. Involve staff fully in the bottom-up budget process. Some cutbacks may be necessary, in which case let weak or unnecessary individuals go. But use any dips in the market as an opportunity for key staff to develop new skills and to coach newer employees.

Using the furlough scheme

All employers in the UK have been able to access support to continue paying part of employee's salaries to avoid redundancies under the [Coronavirus Job Retention Scheme \(CJRS\)](#). Changes to the CJRS were published on Friday 12 June, with further detail on the announcement made a couple of weeks earlier that CJRS would change from 1 July 2020. These changes are outlined in the Coronavirus Job Retention Scheme FAQs within our COVID-19 advice and guidance section on our website. However, if you need help in understanding the transition between the two iterations of CJRS and how it may impact your business and its workforce, please contact your usual UHY adviser or get in touch using our [contact form](#).

Consider outsourcing

What do you do that others could do better and/or cheaper for you? Payroll, accounting, IT support, HR or perhaps debt collection? Outsourcing can provide a number of long term benefits including cost-cutting, increased efficiency and reduced labour costs.

Consider additional loans and alternative funding

A number of private lenders are making funds available to small businesses impacted by COVID-19, including £2bn from Lloyds Banking Group, £5bn from Natwest and £7bn from Barclays. Alternative funders are also open for business and looking to lend for the right opportunity. It is worth investigating sources such as crowdfunding, crowdsourcing, asset finance, supply chain finance and reverse factoring and pension led funding. We have good relationships with alternative lenders, such as Asset Based Lenders and crowd funders, and can facilitate introductions.

Review and realign your strategy

Review every cost from the bottom up with a view to cutting and saving, where possible. Make sure that you have the correct Key Performance Indicators and measure them daily. Streamline your business to concentrate only on profitable core activities; you need to burn off the fat to thrive during this time.

Continue marketing

Marketing in difficult times is more important than ever for maintaining your competitive position. Focus your efforts on strengthening relationships with your best customers, getting closer to them and thereby defending your position against the competition and hopefully generating additional business.

Watch the competition

Keep a close eye on your competitors; if they go bust or switch activity away from your sector this could create less competition which in turn could lead to greater opportunities for you. However, you should also be aware of new competition. Businesses are chasing less demand and new businesses may appear on the horizon as we start to emerge from the 'lockdown', started by people 'let go' from companies you are competing against.

Review your insurance policy

The Government has confirmed that businesses that have cover for both pandemics and government-ordered closure should be covered by insurance. However, most businesses are unlikely to be covered as standard business interruption insurance policies are dependent on damage to property and will exclude pandemics. We recommend checking the terms and conditions of your specific policy and contacting your provider.

Take early advice to manage financial difficulties

As a director, you have a fiduciary duty to act in the best interest of the company as a whole. By doing due diligence into the ongoing viability of the business, such as Profit & Loss and cashflow forecasts, it may become apparent that the business cannot and should not continue. We have a strong Turnaround and Recovery department who can advise on the various options available. Please note that for the best outcome, early advice is key.



Helping you prosper

Tax measures in more detail

Cashflow support through the tax system

The next quarter of VAT payments until the end of June will be deferred, with businesses permitted until the end of the financial year to repay the accumulated amount due. This equates to a direct injection of over £30 billion of cash to businesses, equivalent to 1.5% of GDP, so it will certainly assist with short term cashflow. However, businesses need to be aware that this is only a deferral and they will therefore have to make provisions to eventually pay their VAT bill. VAT returns should continue to be submitted on time wherever possible.

The Chancellor also pledged that the Government will ensure that businesses and self-employed individuals in financial distress will receive support in paying other outstanding tax liabilities.

A dedicated COVID-19 helpline has been set up at HMRC with the aim of agreeing time to pay arrangements, although those arrangements will be considered on a case-by-case basis taking into account the individual circumstances. However, be prepared for long waiting times, with reports that those are being kept on hold for between 40 and 60 minutes and in some cases, even after getting through on the helpline, they are finding themselves speaking to the wrong team at HMRC who cannot assist them with their query.

HMRC's dedicated helpline is 0800 024 1222 (opening hours are Monday to Friday 8am to 4pm), but please do get in touch with your usual contact if you would like to discuss your financial circumstances and tax liabilities in more detail.

For more of the detail behind tax payment deferral, please read our [FAQs](#) within our COVID-19 advice and guidance section.

Off payroll working (IR35) in the private sector

The Government has announced that it is postponing the planned introduction of off payroll working in the private sector for one year from 6 April 2020 to 6 April 2021. The intermediaries' legislation, commonly known as IR35, essentially triggers a PAYE and national insurance cost when an otherwise independent contractor is deemed to be employed

by the end client. New rules that were intended to be effective from 6 April 2020 would have impacted on contractors working through a personal service company (PSC), recruitment agencies and all large and medium-sized private sector end clients. However, we must stress that the changes being introduced were to move the responsibility from the PCS to the end-user client, and that existing IR35 legislation remains. Due care and attention should still be taken by contractors operating through an intermediary/PSC to make sure they are still not caught by the rules.

Deferral of self-assessment payments

Those due to make payments on account of their tax liabilities by 31 July 2020, will be able to defer those payments to 31 January 2021. You do not need to be self-employed to be eligible for the deferment. Please remember, however, that similar to the VAT deferral, full payments will be due at the later date and therefore it is important to factor into your cashflow forecasts. The deferment is optional so if you are still able to pay your second payment on account on 31 July you should consider doing so.

Corporation tax

No changes have been announced to the payment cycle for corporation tax applicable to UK companies.

Other tax strategies to consider

Change your accounting year end

If your business had a trading profit last year, but you anticipate making a trading loss this year or foresee substantially reduced profits, consider changing or possibly extending your year end date to accelerate the availability of losses for relief. You will need to bear in mind that there are limits on how many times you can change your accounting date or the length of an extended period.

Reduce your tax instalments

Larger companies that pay quarterly tax instalments and businesses, such as sole traders, partnerships, or limited liability partnerships, that make payments on account should monitor their management accounts to identify downturns in profit as soon as possible. This could help you identify where claims can be made to reduce the level of tax instalments..

Embedded capital allowances

Even if your business premises have been owned for a substantial period of time, it is still possible to claim for the embedded plant and machinery within the property. The relief generated will reduce profits, which may even create a loss that can be carried back to generate a tax refund.

Utilise Enterprise Management Incentives (EMI)/Share Options

IF staff bonuses are normally paid in cash, consider issuing EMI or share options instead. This not only saves the cash normally paid out on bonuses, but if the staff pay market value for their shares you will not incur National Insurance Contribution costs. In the present climate it should be possible for a lower valuation of the shares to be agreed with HMRC. As an added benefit for the company, if the shares have increased in value by the time the options are actually exercised, and if they are EMI option shares, the tax deduction will be based on the market value at the date the shares are issued to the employee.

Key points to consider

It is critical you assess your available options and act quickly. To make the most of government support available, consider the following points now:

Understand what support you are eligible for

- Visit the Government's guidance on [COVID-19: support for businesses](#) or speak to your usual UHY adviser to determine what support you are eligible for
- Consider which measures are most appropriate for your immediate needs and which are more appropriate for medium term needs
- Consider which measures you are likely to be successful in accessing
- Review your cashflow and determine whether you will achieve most benefit from schemes that can be accessed quickly or schemes that will give a higher level of flexibility over the longer term
- Consider other available options, such as alternative funding options and the other practical considerations outlined above

How do you access the support?

- Research how to apply for each measure (see details in the table of measures above)
- Gather key documents to ensure you have all information readily available (for example start gathering evidence/documentation to assist in making a speedy loan claim such as details of business performance, detailed cashflow forecasts, asset and liabilities statements, actions taken by shareholders to support the business etc.)
- Understand how long it will be before you receive the cash or liquidity boost and factor this into your planning.

Can we help you?

If you require further support, we can help with:

- dealing with HMRC, including applying for salary grants
- applying for government backed bank loans
- loan capital repayment holidays
- support for self employed to get mortgage holidays and potentially increased benefits
- cashflow forecasting
- cost reduction analysis
- debtor analysis and support with chasing debts
- remote bookkeeping
- project appraisals
- advice about the best steps to take to make sure that your business remains viable
- advice about a directors fiduciary duties and what steps to take should a business no longer be viable



Next steps

We will be continuing to provide our summaries of the Government announcements as they relate to you and your business. If you have any queries or concerns in relation to any of the points above, or just generally in relation to your way forward through this coming period, please speak to your usual UHY contact, or reach us centrally at enquiries@uhy-uk.com or contact your nearest office location: www.uhy-uk.com

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