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Navigating the CV-19 Situation: Financial Support Interventions

Catalyst Frameworks Webinar
—
27 March 2020

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Cashflow and financial support

Agenda

- **Cashflow considerations in the current environment**
- **Financial support packages (to date)**
- **Taxation supportive and protective measures**

- **Panel discussion**

- **Q&A**

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Cashflow in the current environment

1. **Understand funding requirements ASAP**
 - Existing facilities
 - Alternative funding sources
2. **Act decisively and quickly**
3. **Take advice**
4. **Keep the situation under review**
 - Regular, informed board meetings
 - Record and minute keeping
5. **Be aware of the options available**
 - Funding
 - Legal
6. **Director duties**
 - Act in the best interest of stakeholders



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Financial support packages (to date)

- **Grant Schemes (Northern Ireland)**
 - COVID Small Business Grant Scheme (£10,000)
 - Hospitality, Tourism and Retail Sectors Grant Scheme (£25,000)
- **Waiver of business rates (April to June) and deferral of 2020/21 assessments**
- **HMRC initiatives**
- **Covid Business Interruption Loan Scheme (CBILS)**
 - Loan scheme, not a grant
 - Available to business with turnover up to £45m
 - Government may guarantee 80% of new facilities up to £5m
 - Viability of the business is fundamental
 - Unlikely to be appropriate for start-ups
- **Covid Corporate Financing Facility (CCFF)**
 - Involves issuing Commercial Paper by investment grade companies
 - Not appropriate for start-ups
- **Existing funders/finance providers**



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Taxation Supportive and Protective Measures



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Planning

What to Consider?

- In conjunction with exceptional planning taking place, it is still important to consider tax inflows and outflows.
- For many businesses, the most regular tax payments will be employer's taxes (including National Insurance) and Value Added Tax.
- Whilst deferral and other arrangements may be available, note that these are **timing** issues only. The taxes will still need to be paid and H M Revenue and Customs can / will enforce.
- Commentators are expecting that the massive increase in public spending will need to be paid for. Reasonable to expect reduced allowances and increased rates in the future.
- Consider opportunities, particularly with the end of the income tax year fast approaching.

P.S – Brexit hasn't gone away either...how will the transitional period and future relationships be affected?



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Deferral (of Taxation Liabilities)

Value Added Tax ("VAT")

UK VAT registered business with a VAT payment due between 20 March 2020 and 30 June 2020 may automatically defer the payment of the liability.

- The returns due must still be submitted.
- No claim for deferral is required (i.e. there are no specific conditions).
- No interest or penalties will be charged if a payment is deferred.
- If the deferral option is taken, the VAT must be paid before **31 March 2021**.

HMRC has issued its guidance which is available here:

<https://www.gov.uk/guidance/deferral-of-vat-payments-due-to-coronavirus-covid-19>

Other:

- Deferral of July payment on account (to January).
- IR35 rules introduction has also been delayed.

Time to Pay Arrangements

This is an existing scheme which could be available to businesses experiencing cashflow issues.

- Will apply to UK businesses that pay taxes to H M Treasury.
- HMRC will expect other avenues to be exhausted before entering into TTP arrangements.
- However, these are extraordinary times. Special guidance and support networks are in place.

HMRC guidance:

<https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/covid-19-support-for-businesses#support-for-businesses-paying-tax-time-to-pay-service>

<https://www.gov.uk/difficulties-paying-hmrc/your-payment-isnt-due-yet>



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Acceleration



What to Consider?

Is it possible to accelerate timelines to access tax credits and repayments?

- Historically profitable businesses making a loss in the current year may be able to carry-back that loss to the prior period and reclaim corporation tax paid for that prior period.
- Consider bringing forward compliance processes including R&D tax credit claims.
- The intended cap on the SME R&D tax credit has been deferred.
- HMRC have confirmed that additional resources are being made available to assist with the processing of claims.
- They hope to process claims within four weeks and pay cash claims within two weeks of processing.
- Note that grants received can impact the ability to claim R&D tax credits – how will furlough payments be treated...?



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Support

Job Retention Scheme

UK Government will make cash grants available to assist with staff retention. The key points are:

- Will be available to all businesses affected by coronavirus situation as a preventative measure to avoid redundancies.
- Businesses would place workers on "furlough". They remain on the payroll of the business but will not be allowed to undertake work for the business.
- An application made to HMRC but consider employment law aspects.
- HMRC will make payments equal to 80% of an employee's monthly salary up to a maximum of £2,500.
- Will include employer's NIC and pension contributions.
- The grant receipt will be taxable for the business (corporation tax) but also for the employee (income tax / NIC).
- Scheme runs (initially) from 1 March 2020 to 31 May 2020.
- Scheme infrastructure expected to be completed by April, payments likely to be made in May or June.

Other Measures

- Grant of £10k for businesses eligible for small business rates relief.
- Grant of £25k for businesses in retail, hospitality and tourism sectors with a rateable value of between £15k to £51k.
- Business rates relief available (three months) for all businesses (NI only).
- Support for business paying statutory sick pay to employees.
- Support for self-employed workers announced as well.



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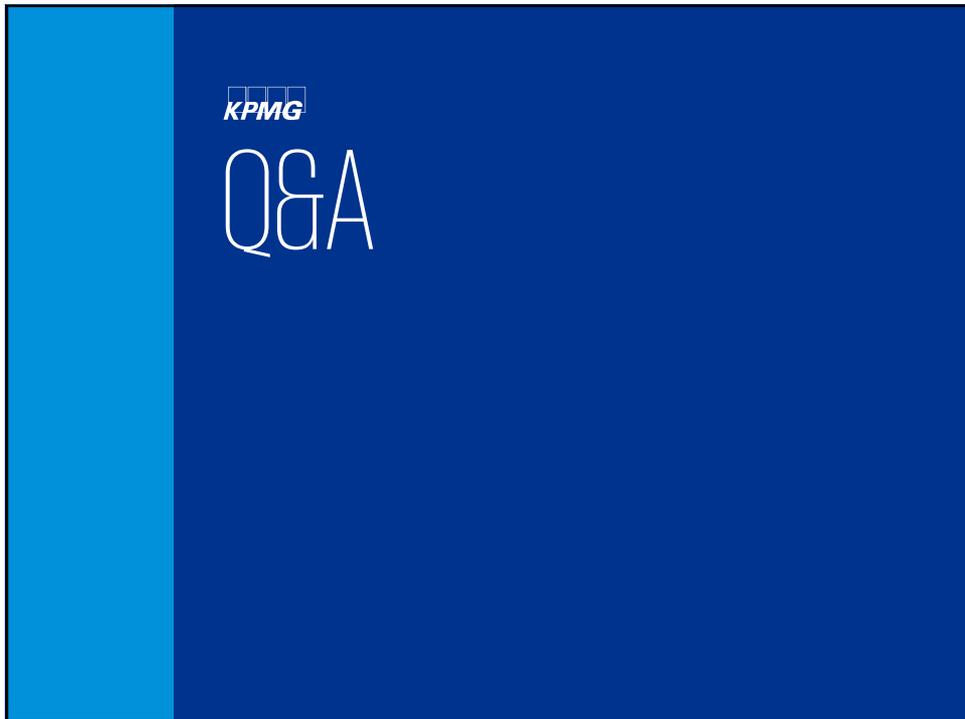
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Panel Discussion

Facilitated by John Knapton

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