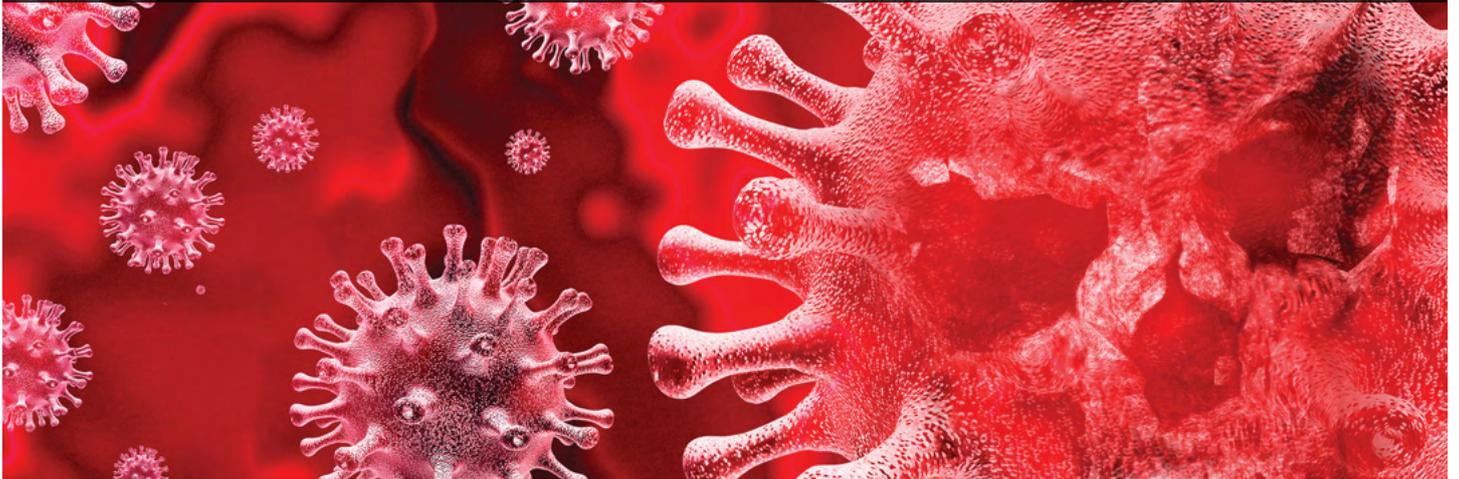


Covid-19 Business Support

Understanding funding, tax deferral schemes,
and other government initiatives



Contents

- 3 [Government Initiatives: At a Glance](#)
- 4 [Funding Options: In Depth](#)
- 6 [Tax Deferral Schemes: In Depth](#)
- 7 [Grants and Other Measures: In Depth](#)
- 9 [How Begbies Traynor Can Help](#)



Government Initiatives: At a Glance

As we enter 2021, companies across the country, and indeed the world, are still facing challenging months ahead as the ongoing Covid-19 pandemic continues to disrupt business as we know it. Three national lockdowns, coupled with changing localised restrictions on trade since March 2020 has put enormous pressures on companies both big and small, and from across almost every sector.

In the face of this challenging environment, the UK government has continued to introduce and re-evaluate the ways in which they can help. An unprecedented combination of measures to support businesses across the country in the wake of this global pandemic were introduced in spring 2020, and they continue to be revisited as the situation evolves.

These measures encompass 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 several 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 10 years and are designed to help the UK's smallest businesses 'bounce back' from Covid-19 challenges.
- **Recovery Loan Scheme** – The Recovery Loan Scheme is a direct replacement for the CBILS and Bounce Back Loans scheme once these close to new applications at the end of March.

Through the Recovery Loan Schemes, businesses of all sizes can obtain loans, overdrafts, as well as invoice and asset funding.

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** – Businesses which deferred VAT due in March – June 2020, now have the option to spread their payments over the 2021/22 financial year rather than having to pay this in full at the end of March 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 through the Coronavirus Large Business Interruption Loan Scheme (CLBILS)
- 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 100 accredited lenders taking part in the scheme
- Borrowing through CBILS was made available as of Monday 23 March 2020 and applications will remain open until 31 March 2021

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 10 years)
 - Overdrafts
 - Invoice finance and revolving facilities (terms of up to 3 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 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 10 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 10 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
- Not available in conjunction with CBILS unless the Bounce Back Loan Scheme facility will refinance the CBILS facility in full. Transfers from CBILS to the Bounce Back Loan scheme can be arranged with lenders until 31 March 2021
- Businesses which originally borrowed less than the maximum amount available to them under the scheme may be eligible to top-up their original loan
- The original loan amount plus the top-up must not exceed 25% of the original self-certified annual turnover, or £50,000, whichever is lesser

Recovery Loan Scheme

The Recovery Loan Scheme was announced at the 2021 Budget. Through the scheme businesses of all sizes can apply for a loan or overdraft up to £10m, or asset-based or invoice financing also up to £10m.

Key Points

- Available to all UK businesses
- Government will provide 80% security to lenders
- No personal guarantees needed for borrowing up to £250,000
- Businesses can apply for a Recovery Loan even if they already have a CBILS or Bounce Back Loan
- Available through a range of accredited lenders
- Scheme opens 6 April 2021 and closes at the end of the year

What type of borrowing is available?

- Loans and overdrafts as well as invoice and asset-based finance options
- Loans and overdrafts available between £25,000 - £10m over six-year terms
- Asset and invoice finance available between £1,000 - £10m over three-year terms

Is a Recovery Loan right for my business and do I qualify?

- Business must be viable, or would be viable were it not for the pandemic
- Business must have been impacted by Covid-19
- Must not be in collective insolvency proceedings
- Can apply through the Recovery Loan Scheme even if already in receipt of an outstanding CBILS or Bounce Back Loan

Tax Deferral Schemes: In Depth

Time to Pay (TTP) Arrangements

Time to Pay is an established scheme that helps companies to negotiate a mutually agreement 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

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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 Deferral

VAT

- Deferred quarterly VAT payments encompassing the period 20 March – 30 June
- VAT for this period will now be payable by March 2021
- Businesses who cannot pay the full amount by the end of March 2021 can apply for the VAT deferral payment scheme
- Payment scheme allows for 2 to 11 equal monthly instalments to be made
- No interest on the outstanding balance will accrue during this time
- All instalments must be paid by the end of March 2022
- 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

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 contribute 10% in July, rising to 20% in August and September
- 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 has been extended until 30 September 2021
- 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 who more than half of their income comes from self-employment and who have experienced a drop in trading profits due to Covid-19.

- Scheme extended and scope widened in the 2021 Budget
- Fourth and fifth grants announced
- Fourth grant will cover period Feb-Apr 2021
- Fourth grant calculated at 80% of 3 months' average profits (capped at £7,500)

- Applications for fourth grant open in late April
- Fifth grant covers May-Sept 2021
- Value of fifth grant determined by turnover
 - If turnover has fallen by more than 30%, a grant worth 80% of 3 months' average profits (capped at £7,500) will be given
 - If turnover has fallen by less than 30%, a 30% grant (capped at £2,850) will be given
- Fifth grant applications open late July
- Must have filed a 2019-20 tax return
- Self-employed individuals can continue to work while receiving this grant

Business Rates Holiday

As announced in the 2021 Budget, the 12-month business rates holiday given to those in the retail, leisure, and hospitality sector, has been extended to provide greater support to an industry under immense pressure.

- Business rates holiday to retail, leisure, and hospitality businesses in England will be extended by a further 3 months to 30 June 2021

- Remaining 9 months of the financial year will be discounted by up to two thirds up to a value of £2m for closed businesses
- 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

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)

Restart Grant Scheme

Following Boris Johnson's unveiling of the 'roadmap' out of lockdown restrictions, it was clear certain sectors would require ongoing support. This is being provided by the Restart Grant Scheme.

Key points

- £5bn scheme to help SMEs in sectors most affected by Covid-19
- 700,000 businesses will qualify for a grant
- Up to £18,000 non-repayable grants for pubs, clubs, gyms, hotels, restaurants, and hair salons
- Up to £6,000 non-repayable grants per premises for non-essential retailers
- Amount of grant awarded depends on rateable value
- Local authorities will receive an additional £425m to distribute to businesses who do not qualify for a Restart Grant
- Restart Grant Scheme replaces the Local Restrictions Support Grant

How Begbies Traynor 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.

Begbies Traynor has a highly experienced team of insolvency, restructuring and commercial finance experts ready to help you and your business through this time of unprecedented 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 Begbies Traynor 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:



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