

RECENT DEVELOPMENTS

Given the pace of changes, directives and developments from the Government within the last 7 days which are likely to impact and/or be of some benefit to many of our clients, I have tried to identify and highlight a number of these in as much practical detail as possible.

While much of the detail is yet to be developed, some aspects of the Government intervention for SME's is now known and the key aim seems to be to provide some reassurance across the business sector (see below):

STATUTORY SICK PAY (SSP)

For all businesses with less than 250 employees, the cost of providing 2 weeks of COVID-19 related statutory sick pay per employee will be refunded by the government in full.

Obviously this relates to the pay that is legally required to be paid by an employer to employees that are sick, and NOT the cost of any salary paid in addition to the statutory minimum!

The eligibility criteria for an employer to take advantage of the SSP scheme has been set out as follows:

- This refund will cover up to 2 weeks' SSP per eligible employee who has been off work because of COVID-19
- Employers with fewer than 250 employees will be eligible
- Employers will be able to reclaim expenditure for any employee who has claimed SSP (according to the new eligibility criteria) as a result of COVID-19
- Employers should maintain records of staff absences and payments of SSP, **but employees will not need to provide a GP fit note**
- Eligible period for the scheme will commence the day after the regulations on the extension of Statutory Sick Pay to those staying at home comes into force.

It should be noted that as this is an entirely new (and hopefully temporary) scheme, there are no current processes in place with HMRC to arrange for the refund/repayment with employers i.e. HMRC will provide further details in due course on how employers can access the rebate.

TIME TO PAY

HMRC has set up a phone helpline 0800 0159 559 which is in place to support businesses and self-employed people concerned about not being able to pay their tax due to coronavirus (COVID-19).

There is little further detail so far, but it would appear to relate to all tax liabilities that businesses and self-employed people may be subject to e.g. corporation tax, VAT, PAYE/NI, income tax etc.

Through this scheme, businesses should be able to agree a 'bespoke' Time to Pay' arrangement for these liabilities, and each arrangement will be agreed on a 'case by case' basis with each business/taxpayer.

Additionally, it is currently unclear as to whether, Sakura, as your registered agent, will be able to contact HMRC on your behalf and agree a bespoke 'Time to Pay' arrangement under this scheme. However, as per my comments above, we will continue to be available to contact HMRC on your behalf and to clarify the situation if necessary.

BUSINESS RATES RELIEF

All retail, hospitality and leisure businesses in England e.g. shops, pubs, restaurants and other leisure businesses, will be entitled to a business rates holiday for the 2020 to 2021 tax year.

Additionally, all of these businesses which are operating from a property with a rateable value between £15,000 to £51,000, will also be able to apply for grants of up to £25,000 to help cover their immediate cash-flow problems.

Businesses that are, or believe themselves to be eligible for any of the above relief/grants, should make any enquiries to their relevant local authority, while guidance for all local authorities on these business rates changes is expected to be published by the Government on or about 20 March.

Separately the very smallest businesses, who may not currently pay business rates (under the Small Business Rates Relief (SBRR) and Rural Rates Reliefs), are able to apply for a grant of up to £10,000 with the aim of helping such businesses to meet their ongoing business costs.

If your business is eligible for SBRR or rural rate relief, you will be contacted by your local authority – you do not need to apply.

It is expected that funding for the scheme will be provided to local authorities by Government in early April, with additional guidance for local authorities on the scheme to be provided to them shortly.

CORONAVIRUS BUSINESS INTERRUPTION LOAN SCHEME (CBILS)

A new Coronavirus Business Interruption Loan Scheme has been created by Government, up to a current total of £330bn, which will be delivered by the British Business Bank. The purpose of the scheme is to support businesses to access bank lending, overdrafts etc. up to a maximum of £5.0 million each.

The Government will provide lenders with a guarantee of 80% on each loan (subject to a per-lender cap on claims) in order to give lenders confidence to continue to provide finance to SMEs. There will also be no charge from the Government either to businesses or banks for this guarantee, and the first 6 months of interest payments for businesses will also be covered.

The launch of the scheme has now been brought forward, with our understanding that the new scheme is expected to become available from the week **commencing 23 March 2020**.

More than 40 lenders including the big four banks — Barclays, HSBC, Lloyds and RBS — will be the route to providing the CBILS scheme funds to businesses as either loans, overdrafts or asset-based lending secured on equipment or invoices.

In practice, the CBILS scheme provides the **lender** with a government-backed guarantee against the outstanding facility balance, potentially enabling a 'NO' credit decision from a lender to become a 'YES', **however it should be noted that the business remains liable for repayments of the capital!**

The main eligibility criteria (**which may be subject to change in the coming days**) for each business, are as follows:

- It must be UK based, with a turnover of no more than £41 million per annum
- It must operate within an eligible industrial sector
- It must be able to confirm that they have not received State aid beyond €200,000 over the current and previous two fiscal years
- It must have a sound borrowing proposal, but insufficient security to meet the lender's requirements

The terms in respect of the lending obtained under the CBILS scheme may be anything from three months up to ten years for term loans and asset finance, and up to three years for revolving facilities and invoice finance.

Where you are considering applying for a CBILS-backed loan facility, the main approach is to contact your current banking provider (or one of the other eligible lenders where necessary)

At Sakura, we are available to assist or support you with any applications you may make under the CBILS scheme, whether with providing copies of financial information, cash flow/expense modelling etc., so please feel free to contact us.

CBUSINESS INSURANCES

The Government has advised that all businesses affected by the impact of the COVID – 19 virus (most likely to be retail, hospitality and leisure sectors), should check the terms and conditions of their insurance policies, to confirm whether any of their business losses can be covered (or even partially covered).

Businesses that do have insurance in place for pandemics (or possibly even notifiable diseases) are likely to be covered for losses suffered as a result of measures taken by the government to stop the spread of COVID-19.

In these cases, our understanding is that both the government and insurance industry confirmed on 17 March 2020 that the advice to avoid pubs, clubs and theatres etc. is sufficient grounds for businesses to be able to claim on their insurance policies, however, speaking to your broker or insurance provider should help to clarify the situation.

MORTGAGE REPAYMENTS

The government have agreed with UK mortgage lenders to provide support to customers that are experiencing issues with their finances as a result of the measures taken around COVID -19. This is mainly through providing payment holidays of up to 3 months to individuals, thereby allowing them the necessary time to recover their personal finances in the meantime.

It may also enable Employers to proactively discuss unpaid leave/shorting working hours options with employees, knowing that the main financial burden for many of them can be lifted in tandem (in the short term anyway).

The precise criteria required by each lender is currently unclear i.e. if it can be applied on request or whether a review of personal finance will be required, **and it is also important to note that all of the payments and interest will need to make up at a later date.**

Hopefully all of the above is helpful in terms of clarifying the various Government-sponsored options that are available to you as you try and manage your business through this difficult time.