

BUSINESS REVIEW

**Spotlight on issues
affecting business**

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BUSINESS

REVIEW

BUSINESSES ON THE BRINK

Surveys suggest many firms face a desperate battle to stay afloat as the COVID-19 pandemic exerts a heavy toll on business and economic activity across the UK.

The sheer scale of companies at risk of collapse was highlighted in a British Chambers of Commerce (BCC) survey of over 600 firms conducted between 25–27 March. It found that 62% of businesses face the prospect of running out of cash within three months, with the BCC warning the situation can only be expected to worsen in the coming weeks.

Another survey undertaken by Corporate Finance Network revealed that 18% of all SMEs were probably, or definitely, going to run out of cash within four weeks despite government efforts to provide support. This implies more than 800,000 businesses could be on the brink of collapse.

Research conducted by *Be the Business* found that 39% of SMEs have either already closed temporarily or plan to within the next month. This further underlines the unprecedented pressure the lockdown is placing on the business community.

GAPS IN SUPPORT NEED ADDRESSING

The Institute of Directors (IoD) has called for more government help focused on companies and entrepreneurs currently 'falling through the cracks' of support.

A recent IoD survey revealed that seven out of ten business leaders believe the pandemic poses a high or severe threat to their organisation. Given this extreme level of anticipated disruption, the IoD has requested further support in a number of areas.

These include allowing directors of the smallest firms, that often take income as dividends, to make furlough claims equivalent to those available to employees and the self-employed. Additionally, the IoD want to see grants available to firms paying little or no business rates on their premises, extended to include smaller companies and start-ups with no premises.

The IoD has though acknowledged recent changes introduced to the Coronavirus Business Interruption Loan Scheme, which includes dropping requirements for personal guarantees on loans under £250,000. It is hoped these changes will pave the way for more businesses to access desperately needed funds.

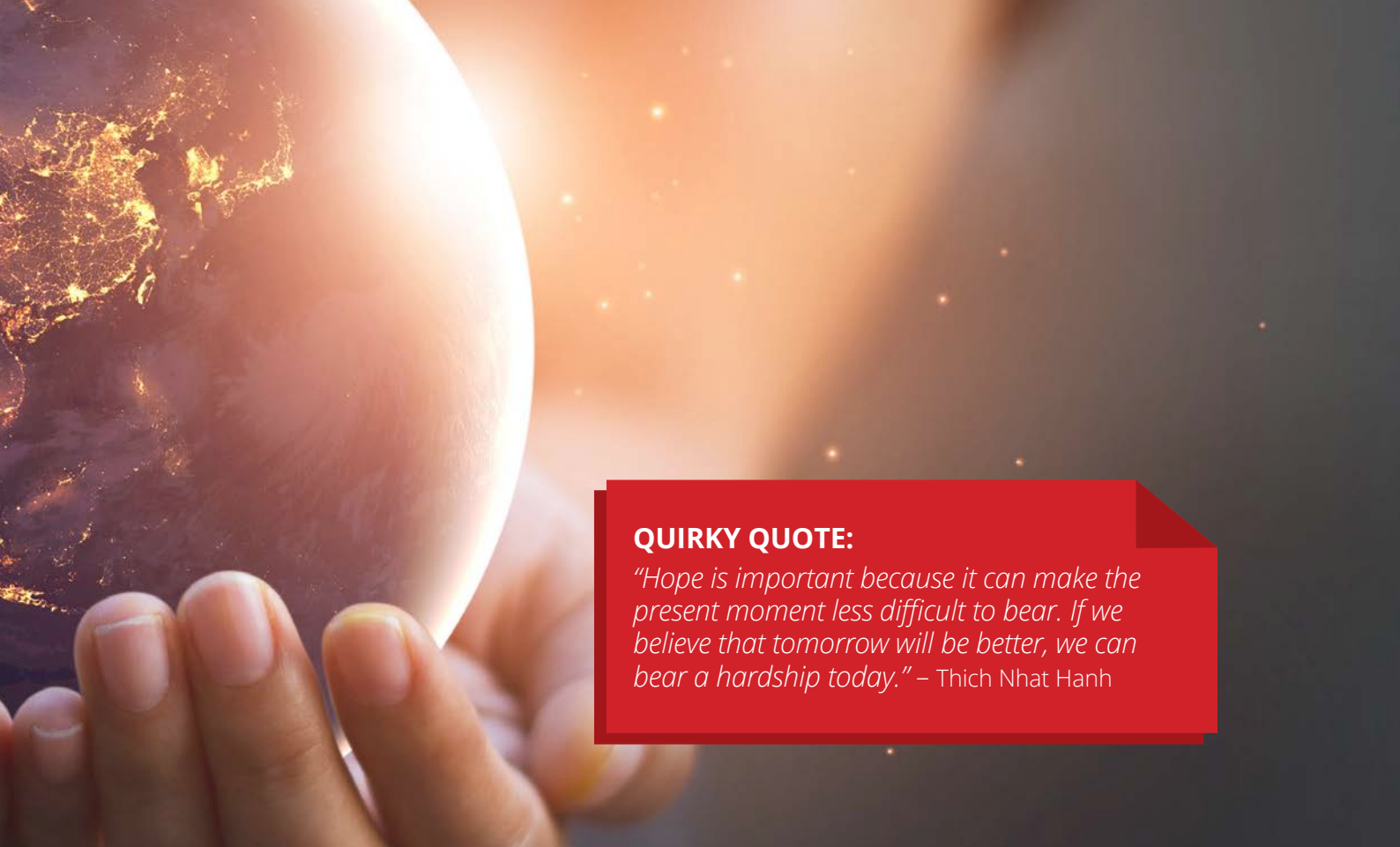
CALLS TO CUT MINIMUM WAGE

A leading think-tank has advocated a temporary National Minimum Wage (NMW) reduction as a sensible policy response to prevent widespread unemployment in the face of the pandemic.

The Institute for Fiscal Studies (IFS) has argued that previous increases in the NMW may have made sense in the context of a low wage, high employment, labour market. However, in the current climate, where the government's primary policy focus is keeping people in paid employment, reducing the NMW while increasing state benefits to protect people's incomes would appear an appropriate strategy to help businesses retain staff.

The IFS has called on the government to seek advice on the best course of action from the Low Pay Commission (LPC). The LPC has already begun its latest consultation seeking evidence from employers and workers on the effects of the most recent NMW increases, particularly in relation to the COVID-19 outbreak. Responses to the consultation, which closes on 4 June 2020, will be used to inform the LPC's 2021 NMW recommendations.

For the latest information on COVID-19 and the measures the government are taking visit the government website.



QUIRKY QUOTE:

"Hope is important because it can make the present moment less difficult to bear. If we believe that tomorrow will be better, we can bear a hardship today." – Thich Nhat Hanh

CANCEL PAYMENTS IF DEFERRING VAT

HMRC is urging all firms planning to make use of its VAT deferment offer to contact their banks and cancel direct debits at the earliest opportunity.

In response to the pandemic, the government introduced temporary changes for VAT payments due between 20 March and 30 June 2020. While businesses still need to file returns, they now have the option to either pay the VAT due as normal or defer payment until a later date. However, in order to ensure HMRC does not automatically collect payment, all firms will need to cancel direct debits set up to pay their VAT bill.

Commenting on the measures, a HMRC spokesperson said: *"For those customers who are unable to pay VAT due between 20 March and the end of June 2020, you have the option to defer that payment until 31 March 2021. You will not need to apply for deferral as eligibility is automatic. Customers who normally pay by direct debit should cancel their direct debit with their bank if they are unable to pay. Please do this in sufficient time."*

QUIRKY QUOTE:

"Tough times never last, but tough people do." – Robert H Schuller

CYBER-ATTACK FEARS

Experts have suggested the shift to home working is heightening the risk of businesses being hit by cyber-breaches.

The warning comes from the authors of the Beazley Breach Briefing, an annual update of cyber trends.

According to their latest report, the number of ransomware attacks rose by a staggering 131% in 2019, with the sums demanded by cybercriminals also increasing exponentially, sometimes reaching eight figure sums.

A common form of attack used to deploy ransomware is breaching poorly secured remote desktop protocol (RDP). RDP enables employees based at home to access work computer desktops or a company's primary server; so, any increase in home working inevitably makes IT systems more susceptible to cyber-attacks unless appropriate security measures are put in place.

With the outbreak forcing an increasing proportion of employees to work from home, Beazley are stressing the importance of firms taking action to reduce the vulnerability of their IT infrastructure. In particular, they advise that employees access their computer via a virtual private network with multifactor authentication.

MENTAL WELLBEING CONCERNS

The Chartered Institute of Personnel and Development (CIPD) is encouraging employers to adopt a proactive approach to support employee mental wellbeing during the outbreak.

Concerns about job security and loss of income, fear of infection and feelings of isolation are just some COVID-19-related factors that will inevitably heighten employee feelings of stress and anxiety. This is placing increased pressure on employers to support staff and prevent them being at serious risk of mental ill health.

The problem is clearly exacerbated by the fact that so many people are now working from home. This means it's vital for managers to regularly check in with team members and utilise communication channels such as video calling in order to maintain personal interactions.

Rachel Suff, CIPD wellbeing adviser, commented: *"This pandemic presents a real threat to people's mental, as well as physical, health and employers need to think about both when putting in place plans to protect their workforce. Employers also need to remember their duty of care for people's health and safety carries on no matter where staff are based."*

OTHER NEWS

CHANGES TO INSOLVENCY RULES

The government has relaxed UK insolvency laws to enable firms undergoing a rescue or restructure to continue trading. The decision, which retrospectively suspends wrongful trading provisions for three months from 1 March 2020, will allow company directors to keep businesses going during the COVID-19 crisis without fear of personal liability and has been widely welcomed by business leaders.

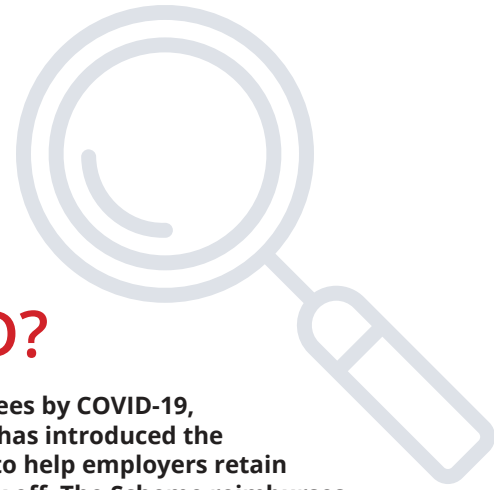
RECOGNISING GENUINE CONTACT

Guidance has been published to help individuals recognise genuine contact from the tax authority during the COVID-19 pandemic. A rise in scam text messages attempting to convince individuals to pay fines prompted HMRC to act. Detailed information is available at www.gov.uk and people are reminded that legitimate government texts 'do not ask you to reply, or give out personal/financial information'.

MTD DEADLINE EXTENDED

HMRC has announced the requirement to implement digital links for Making Tax Digital (MTD) for VAT has been delayed in order to support businesses facing the unprecedented challenges created by Covid-19. All MTD businesses will now have until their first VAT return period starting on or after 1 April 2021 to ensure digital links are in place.

FURLOUGHING: WHAT IS IT AND WHO'S ENTITLED?



With entire industries brought to their knees by COVID-19, to avoid mass job losses, the government has introduced the Coronavirus Job Retention Scheme (CJRS) to help employers retain staff they would otherwise have had to lay off. The Scheme reimburses employers for 80% of the salary costs of 'furloughed' employees (i.e. those without work) up to a cap of £2,500 per month per employee.

Who is eligible?

To be eligible, employees must be on PAYE as of 28 February. This includes full-time and part-time employees, agency workers and those on flexible zero-hours contracts. Company directors are also eligible; they can perform any necessary statutory duties, but no other work for the company. New employees placed onto the PAYE payroll after 28 February are ineligible.

When will the scheme start?

The government aims to get the Scheme operational by the end of April. While it is uncertain how long the Scheme will run for, at least three months is expected.

What does 'furloughed' mean?

An employee is furloughed if they are performing no work for their employer. The employer must prove that the employee would have been made redundant or laid off without the Scheme's help. Therefore, it doesn't apply to those who have agreed to work less hours for reduced pay. To be eligible, an employee cannot undertake work for, or on behalf of, the organisation or any linked or associated organisation.

Employers must notify an employee of their furlough status in writing.

How is 80% of salary costs calculated?

Under the scheme furloughed workers will receive either 80% of their regular wage or £2,500 per month, whichever is lower. Employers can choose to top up the employee's salary above 80% but they are not obliged to. Regular payments of wages, variable PAYE wages, fees and compulsory payments including commission and bonuses, are included when working out the 80% figure. The government website provides full guidance on this www.gov.uk/guidance/claim-for-wage-costs-through-the-coronavirus-job-retention-scheme

How long can an employee be on furlough leave?

An employee must be placed on furlough for at least three weeks. Furlough leave can also be rotated between employees as long as each one is furloughed for the minimum three weeks. Currently, the maximum amount of time an employee can expect to be furloughed under this Scheme is three months, but this could be subject to change.

An employee is on maternity leave. What are their rights under the CJRS?

If an employee is on maternity leave, then the normal rules for Statutory Maternity Pay (SMP) will apply. Employees are entitled to claim up to 39 weeks' SMP, i.e. six weeks at 90% average weekly pay (before tax), followed by 33 weeks at 90% average weekly pay or the statutory flat rate of £151.20 per week (whichever is lower).

If a company offers enhanced contractual pay to women on maternity leave, they can claim these costs back under the CJRS.

What are my legal obligations when placing an employee on furlough?

Employers should review their staff contracts to ensure furlough is an option and if not, speak to an employment lawyer as this must be made by agreement with the employee before they can place them on furlough. If in doubt, they should speak to an employment lawyer. Equality and discrimination laws apply as usual when making decisions in relation to the furlough process.

COVID-19 AND BUSINESS RATE RELIEF: WHO QUALIFIES?

The government has introduced a huge package of measures to support businesses struggling under the financial impact of COVID-19.

One such measure is a 'business rates holiday' for retail, hospitality and leisure businesses of any size, as well as for nurseries, which will last for the duration of the 2020/21 tax year.

Businesses that will be able to take advantage of this relief include shops, restaurants, cafes and bars, cinemas, leisure centres, hotels, guest or boarding houses, businesses offering self-catering accommodation, and childcare providers on Ofsted's Early Years Register.

What if I don't pay business rates?

The government has acknowledged that smaller businesses eligible for Small Business Rate Relief (SBRR) or Rural Rate Relief (RRR) will not benefit from the business rate holiday, but may still be struggling. To assist these companies, the government has announced a one-off £10,000 grant to help them meet their ongoing business costs.

Your business will be eligible if it is based in England, occupies a property and is eligible for SBRR or RRR.

THE CORONAVIRUS BUSINESS INTERRUPTION LOAN SCHEME: WHAT YOU NEED TO KNOW

SMEs suffering loss of revenue and cashflow problems amid the pandemic have been offered an unprecedented support package to help them stay afloat – including the Coronavirus Business Interruption Loan Scheme (CBILS), which enables businesses (with a turnover of less than £45m) to access up to £5m in government-backed loans.

Over 40 participating lenders (including all major banks) have agreed to provide finance through the scheme, backed by the government-owned British Business Bank.

How does it work?

Participating lenders will receive a government guarantee of 80% on each loan, to encourage them to continue providing finance to SMEs. It should be emphasised, however, that the borrower remains 100% liable for repaying their debt.

Loans are paid back over a period of up to six years. However, to help businesses get back on their feet once the crisis has passed, interest payments and fees will be covered by the government for the first 12 months via a Business Interruption Payment.

Security for CBILS loans

For loans up to a value of £250,000,

participating lenders can use the CBILS for unsecured lending. For lending over this amount, the bank must establish that the borrower is unable to provide security before resorting to the CBILS.

If the lender can offer finance under normal terms, i.e. the borrower can provide sufficient security, then the CBILS should not be used.

Applying for the Scheme

Eligible SMEs should choose their preferred lender and approach them (via their website is best, as high demand means that phone lines are extremely busy). The lender will then decide whether or not to offer finance; if they refuse, you can approach another participating lender.

The lowdown on eligibility

As previously mentioned, only SMEs with a turnover of under £45m are eligible for the Scheme. However, lenders will consider some other criteria when deciding whether to offer finance, including:

- SMEs should be UK-based
- The loan proposal should be considered viable even without COVID-19
- There should be evidence that the loan will help the business surmount their short or medium-term financial difficulties.

CHANCELLOR INTENSIFIES CORONAVIRUS BUSINESS SUPPORT

Lenders participating in the Coronavirus Business Interruption Loan Scheme (CBILS) have already approved £90m of business interruption loans to help nearly 1,000 small companies. Meanwhile, a new government-backed lending scheme for larger firms has already provided £1.9bn of corporate finance to firms hit by the pandemic.

These figures came as the Chancellor announced an extended business support package on Friday 3 April, including the extension of the CBILS to include all small firms, not just those denied regular commercial financing.

Loan enquiries coming thick and fast

Lenders participating in the CBILS have so far fielded over 130,000 enquiries from firms seeking business interruption loans. Of these, 983 loans had been approved at the time of writing, with banks still in the middle of processing thousands more applications.

The Coronavirus Large Business Interruption Scheme

Aware that larger businesses are also struggling for survival in the current climate, the Chancellor announced a new

Coronavirus Large Business Interruption Loan Scheme (CLBILS) for firms with turnovers between £45m and £500m. Through the scheme, larger firms will be able to access up to £25m of corporate finance, with a government guarantee of 80% giving banks the confidence to lend to those impacted by COVID-19, even if they would not lend in ordinary circumstances. The Scheme is due to be outlined in more detail later this month.

The Chancellor comments

Chancellor of the Exchequer, Rishi Sunak, said of the new measures: "We are making great progress on getting much-needed support out to businesses to help manage their cashflows during this difficult time – with millions of pounds of loans and finance being provided to hundreds of firms across the country."

He added: "This is a national effort and we'll continue to work with the financial services sector to ensure that the £330 billion of government support, through loans and guarantees, reaches as many businesses in need as possible."

Praise from the business community

Industry leaders have warmly welcomed the extension of business support. Adam Marshall, Director General of the British Chambers of Commerce (BCC), said: "We're pleased that the Chancellor is listening and responding to the real-world concerns posed by firms across the UK who are urgently trying to access financial support."

Meanwhile, Dame Carolyn Fairbairn, Director General of the Confederation of British Industry, praised the new measures as a "big step forward."

HEALTH AND SAFETY IN A COVID-19 LANDSCAPE

According to current government guidance, employers should be doing everything they can to facilitate home working for their employees, where this is possible, during the outbreak. Where employees cannot work from home (e.g. NHS staff, construction workers or supermarket employees), employers need to be taking every possible step to protect the health and safety of their workers and observe social distancing practices.

Where businesses still require staff to attend their offices or premises, employees should be advised to maintain a two metre distance from others, in line with social distancing guidelines. They should be encouraged to wash their hands often, for at least 20 seconds, and go home immediately if they develop symptoms such as a new, continuous cough or a fever.

Support for vulnerable employees

Extra care needs to be taken to support employees in groups considered more vulnerable to developing complications from contracting the disease, including:

- Those with long-term health conditions such as asthma, heart disease or diabetes
- People with weak immune systems
- Pregnant women
- Older people (over the age of 70)
- Those caring for a person considered vulnerable

Particularly vulnerable people may have been told to 'shield' by a medical professional, or have received a letter instructing them to do so. If an employee is shielding, it means they must stay at home for at least 12 weeks.

If employers do not take extra steps to support vulnerable employees, or continue to require them to come into work against medical advice, they could face claims for discrimination on grounds of pregnancy, disability or age.

Looking after home workers

Employers are still responsible for the health and safety of their employees if they are working from home. In particular, the risks associated with long-term screen use, such as poor posture, back problems and eye fatigue must be mitigated and controlled. HSE also advises that the lack of contact with colleagues and managers could cause stress, increase feelings of isolation and impact the mental health of employees working from home.

Employers should therefore take steps to keep in touch with staff members and keep an eye out for signs of stress or poor mental health.

HOME WORKERS – KEEP ON TOP OF YOUR MENTAL HEALTH

As lockdown continues, many of those now working from home are focusing their attention on performing well and keeping their jobs. However, you mustn't forget to focus on your mental (as well as financial) health while in isolation.

Keep your routine

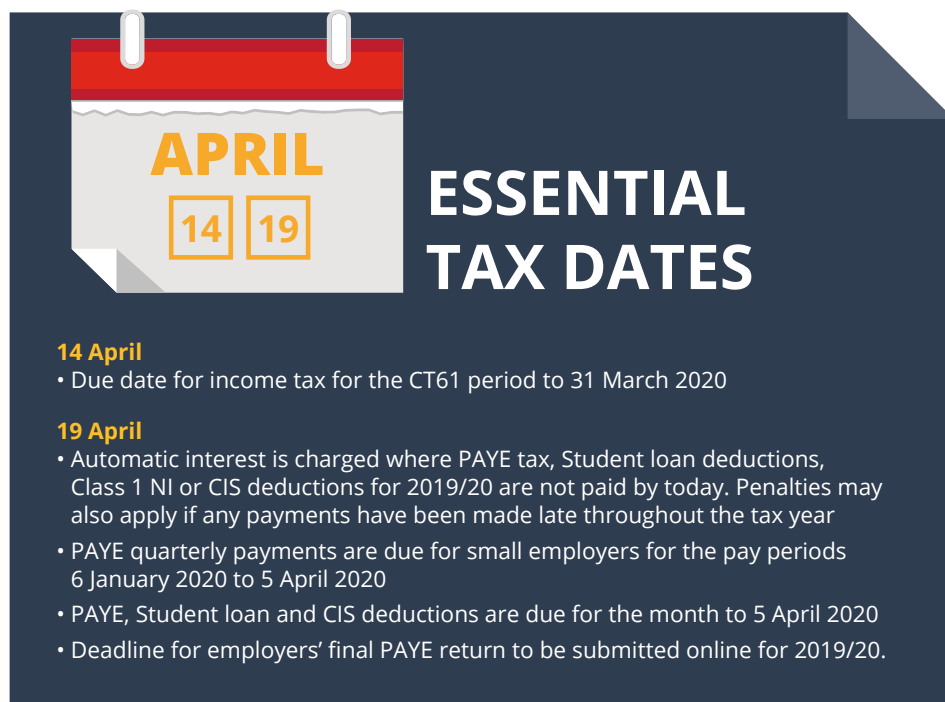
While it might be tempting to get a couple of extra hours' sleep, forego getting dressed and work in your pyjamas, this can be psychologically damaging. Getting up at a normal time, wearing what you would usually wear to work, and eating meals at the same time as on a normal workday, can all help to differentiate between a 'work' and 'home' mentality and keep your circadian rhythm working as normal.

Stay connected

Human beings are social animals, and with all major places of leisure closed, we must find other ways to connect with people and maintain our mental health. Apps such as WhatsApp and Zoom can be used to maintain face-to-face contact with friends, family, colleagues and clients. It can also be useful to schedule check-ins with colleagues to go over work plans, goals and deadlines; these can provide support as well as motivation if you find your concentration affected when working from home.

Manage anxiety

With the world in such an unprecedented state of turmoil, it's hardly surprising that many of us are struggling with increased anxiety. Managing this effectively is essential to keeping yourself healthy and minimising the impact on your work performance. If watching the news causes anxiety, try limiting your exposure to once or twice a day just to stay on top of essential developments. Talking with friends and family is hugely important – it's easy to let worries overwhelm you when you withdraw.



ESSENTIAL TAX DATES

14 April

- Due date for income tax for the CT61 period to 31 March 2020

19 April

- Automatic interest is charged where PAYE tax, Student loan deductions, Class 1 NI or CIS deductions for 2019/20 are not paid by today. Penalties may also apply if any payments have been made late throughout the tax year
- PAYE quarterly payments are due for small employers for the pay periods 6 January 2020 to 5 April 2020
- PAYE, Student loan and CIS deductions are due for the month to 5 April 2020
- Deadline for employers' final PAYE return to be submitted online for 2019/20.

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