

FAQS FOR BUSINESSES AFFECTED BY COVID-19

PREFACE

Every Sopher + Co client regardless of size and in all industries have had their business impacted by COVID-19.

The content of this FAQ document provides guidance to **ALL** businesses of **ANY** size.

As mentioned in my first email sent to you on 17th March there is no such thing as a stupid question. Please, please, please contact your Sopher + Co contact in connection with any question you may have – 0208 207 0602.

Even if we do not have the expertise within the firm, we assure you that we can put you in touch with the right person within our extensive network of contacts.

The only other point to make is at the same time as keeping your head down and focusing on the matters in hand, please look up from time to time as this current crisis may throw up opportunities.

Q. WHAT MEASURES CAN I TAKE THAT WILL IMPROVE CASH-FLOW IMMEDIATELY?

CONTACT YOUR KEY SUPPLIERS AND LANDLORDS

At this time, it is important to speak to your key suppliers, in particular your Landlord.

In our experience these stakeholders are likely to be receptive to reasonable suggestions. In the first instance Landlords are usually prepared to at least give a rental holiday (deferral), whilst some may be amenable to granting a rent-free period.

Do not be embarrassed to ask for this. You will not be the first one to ask. The worst they can say is no!

TAKE ADVANTAGE OF THE FOLLOWING SHORTTERM MEASURES OFFERED BY GOVERNMENT

DEFER ANY VAT THAT COMES DUE FOR THE NEXT 3 MONTHS

The Government have set out [here](#) the option for businesses will not need to make VAT payments that fall due from 20 March 2020 to 30 June 2020.

Business will be given until 31 March/5 April 2021 to pay any liabilities that have accumulated during this deferral period.

This is automatic no action is needed by you to take advantage of this.

If you have a VAT payment that fell due before 20 March 2020 and you have not yet paid it, you can contact the HMRC emergency COVID time to pay line on 0800 0159 559 and agree similar terms. Details of this helpline can be found [here](#).

If you have any difficulty with this please get in touch with your usual Sopher + Co contact.

DEFER YOUR 31 JULY PAYMENT ON ACCOUNT IF YOU ARE SELF-EMPLOYED INDIVIDUAL

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For those who are self-employed (including partners or members of an LLP) any self-assessment tax payment due on the 31 July 2020 will be deferred until 31 January 2021, details are set out [here](#).

This is automatic. No action is needed by you to take advantage of this.

For those who rely on dividends from their companies it remains to be seen if this relief will apply to them. However, in the current climate we do not see this being an issue. It may be that you will just need to talk to the emergency COVID helpline above.

IF YOU ARE IN THE HOSPITALITY, LEISURE AND RETAIL INDUSTRIES TAKE A HOLIDAY ON PAYMENT OF YOUR BUSINESS RATES

The Government have announced [here](#) that a business rates holiday will be extended to all businesses in the hospitality, leisure and retail industries, regardless of size and turnover, meaning they will pay no business rates for the next 12 months.

All businesses within these sectors with a rateable value of under £15,000 will receive a cash grant of £10,000. Those with a rateable value of between £15,000 and £51,000 will receive a cash grant of up to £25,000.

This means that businesses that pay little or no business rates because of Small Business Rate Relief (SBRR) or Rural Rate Relief may be able to obtain a one-off grant to help meet their business costs through this crisis to ease their cash flow burden.

No specific action is needed by you, if your business is eligible for SBRR or Rural Rate Relief you do not need to apply, you will be contacted automatically by your local authority.

ASK HMRC TO DEFER YOUR PAYE AND CORPORATION TAX

It is our experience that it should be possible to arrange time to pay arrangements with HMRC in connection with the above taxes by contacting the HMRC emergency COVID time to pay line on 0800 0159 559 and speak with an officer to discuss a time to pay arrangement.

In the current economic climate HMRC are being more flexible than usual, so now would be a good time to make the most of their goodwill if you have tax related debts to settle.

Again, if you are experiencing difficulty with HMRC please get in touch with your usual Sopher + Co contact.

Q. WHAT CAN I DO TO LOOK AFTER MY EMPLOYEES?

TAKE CARE OF THEIR PHYSICAL WELLBEING

The vast majority of our clients run owner managed businesses and it is our experience that all our clients have a contractual and more importantly a moral obligation to their staff. We know that in the coming weeks you may need to make some difficult decisions.

The government have set out [here](#) a practical list of action you should take to protect both the health and safety of your staff. This advice changes on a day by day basis so you should continually refer to government websites.

LOOK AFTER THEIR FINANCIAL HEALTH

Last week the Government made a number of announcements to help business look after their employees and to protect their jobs in the short term. These are:

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- Statutory Sick Pay (SSP) relief packages for small and medium sized businesses (SMEs)
- The Coronavirus Job Retention Scheme to issue grants covering 80% of the salary of workers who would otherwise have been laid off

WHAT IS THE SSP RELIEF PACKAGE?

During the week ended 20 March, the government made the following announcement [here](#) to support businesses who are paying sick pay to employees.

Broadly this helps employees with fewer than 250 staff pay SSP (£94.25 per week) immediately to staff and can claim it back from the Government. The refund will cover up to 2 weeks' SSP per eligible employee who has been off work because of COVID-19.

We will update you as soon as possible on what steps you need to do to claim this relief.

WHAT IS THE CORONAVIRUS JOB RETENTION SCHEME (CJRS)?

The CJRS was set up to try and protect as many jobs as possible which all our clients want to do. The announcement can be found [here](#).

As opposed to making staff redundant or making lay-offs, you now have the opportunity to furlough your staff and be able to claim 80% of an employee's salary (subject to a monthly cap of £2,500) from the Government.

This applies to **ALL** businesses (be they small, large, charitable or not-for profit) where an employee is temporarily laid off or given a leave of absence due to Covid-19.

As an employer you will be able to reclaim 80% of an employee's salary (subject to a monthly cap of £2,500) from HMRC which will be backdated to 1 March 2020 and be for an initial 3 month period ended 31 May 2020 and may be extended.

SHOULD I TAKE ADVANTAGE OF THE CJRS?

All businesses should take advantage, where appropriate, of this scheme. It gives you the opportunity to see what happens over the coming months as opposed to making hasty decisions that may result in you losing some great people who may help your business recover the lost ground going forward.

For those businesses who have already made some difficult decisions, and made staff redundant, or laid them off, this can be reversed to take advantage of this relief.

As with the SSP relief we will update you on what practical steps you need to consider in the short term to deal with this. It is anticipated that HMRC will be setting up a portal on which these claims will be made.

This portal is not operational yet so it appears that businesses will need to cash-flow this in the short term.

HOW DO I FURLOUGH AN EMPLOYEE?

Firstly what does this mean? Furloughed employees are those whose employers cannot cover costs due to COVID-19 and as a result they have been asked to stop working but have not been made redundant. Under the scheme the employee is not allowed to carry out any employment duties during this period.

The first thing is that there is no automatic right to Furlough your staff you need to review your contracts of employment. It is almost certain that you do not have a "Furlough" clause in your current staff employment contracts.

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You need to review the employment contracts to see if you have a clause which allows for lay-offs or short term working. If you have these clauses it should be possible to Furlough the staff without their consent.

If the contracts do not have such clauses, technically you may need the employees' consent to do this. However, such a negotiation should not be difficult considering the alternative is redundancy or no pay.

Please note that when deciding which members of staff to furlough you need to show that you have made this decision on an objective basis to ensure that you cannot be accused of any form of discrimination.

If you would like advice on this, please contact your usual contact at Sopher + Co who can put you in touch with our HR consulting team.

WHAT DO I DO NEXT?

No matter how negative you feel about the current situation, you need to prepare for when this is over and there are a number of options for you to obtain finance to support the working capital of your business going forward when we emerge from this crisis. It is important that you are prepared.

LOOK AT THE CORONAVIRUS BUSINESS INTERRUPTION LOAN SCHEME (CBILS)

The government have announced [here](#) a loan scheme which will support SMEs (those with turnovers less than £45m) access to loans, overdrafts, invoice finance and asset finance of up to £5m and for up to 6 years, interest free for the first 12 months.

There are over 40 institutions that have registered with this scheme. These are listed [here](#), and we are waiting to see if more will be added, for example Coutts.

WHAT IS THE PROCESS TO OBTAIN THESE LOANS?

At the time of writing this FAQ we have very little information on what the process will be.

The indication that we have received from the Banks involved is that applying for loans of up to £250,000 will undergo a "light touch" with no security. The aim being to get funds to businesses as soon as possible.

For larger loans we imagine that the usual due diligence will apply as with any loan in normal times. However, banks will focus on historic performance in a normal business climate, as they will not expect businesses to be in a position to provide accurate detailed forecasts given the current level of uncertainty.

SHOULD I APPLY FOR THESE LOANS?

It is our view that you should not look at these loans as a quick fix which avoids you making tough decisions that should be taken now in connection with your business.

These loans will need to be repaid in due course, and you do not want to find yourself coming out of this crisis laden with a debt burden that the business cannot afford.

Please contact your usual contact at Sopher + Co to discuss these issues and see what the correct level of loan is appropriate for your business and for help presenting your case in the best possible light.

CONSIDER EQUITY FINANCE AND THE ENTERPRISE INVESTMENT SCHEME

Debt is not the only option and the Enterprise Investment Scheme (EIS) and its sister scheme Seed EIS (SEIS) is still available, but this will only be available to a limited number of limited companies, depending on the age of the company, the nature of its trade, and how the business is structured.

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In the case of EIS, most businesses whose assets are no greater than £15m and who have no more than 250 employees can raise money under this scheme.

Broadly the shareholders of the company can raise money for the business from individuals and their exposure assuming the investors maximise their tax reliefs their exposure is limited to 38.5% of the funds they invest.

Further details about EIS can be found at our website [here](#), and as with anything contained in this FAQ, please do not hesitate to contact you Sopher + Co contact to get further information.

WHAT ARE MY OPTIONS IF I DON'T QUALIFY FOR CBIL LOANS OR EIS?

LOOK AT THE COVID CORPORATE FUNDING FACILITY (CCFF)

This is currently being set up by the Treasury and the Bank of England.

Details of this are currently pretty thin on the ground, but the facility will be available for a maximum of 12 months, with a 6 month notice period.

UK Finance, a banking industry group, today gave details of the individuals at the major banks who will be leading the issuance of this debt. The names of these individuals can be found [here](#).