sage
& COMPANY
CHARTERED ACCOUNTANTS

MARCH 2020

COVID-19
WHAT YOU NEED TO KNOW

USEFUL LINKS & INFORMATION

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In times of great uncertainty, it can be difficult to know where to begin or how to plan to see your business through the coming days, weeks and months.

As many of our clients will be facing the same difficulties, we have put together this help sheet so you can have a reference point for how businesses may manage going forwards. Not all the points will apply to everyone and guidance is changing all the time. Currently there is not much information regarding how to apply for Government assistance although, in time hopefully this will become more apparent. Please do have a read of the points below and do give us a call to talk through them in more detail. We do feel that the order you address these points is important and you should try to outline a plan before getting into the details.

READY YOURSELF FOR OPERATIONAL DISRUPTION

It is important to think about how this will affect your business, is it supply or demand that affects you and what does this mean in terms of stocks, cash management etc?

What would happen if you also became sick or you need to self-isolate?

LOOK INTO CONTINUITY OF SUPPLY

Consider where you source your products, materials and think about whether these supplies are likely to be disrupted, if they are then what alternative plans can be made?

ENCOURAGE HEALTHY BEHAVIOURS IN YOUR TEAM

It may be a good time to remind staff to stay at home if they are ill, can people work from home and if not, can you implement social distancing.

CONSIDER HOW YOU ENGAGE WITH YOUR CUSTOMERS

If the virus affects how you deliver your goods or services to customers it is important to contact them to inform them of this and manage expectations. Most of us are likely to affected in some way it is working out how and what we can do about it that counts.

MANAGING CASH FLOW

This section is vital in the whole planning stage, it is important to look at what money is coming in, when and what money is going out. Once you have this information you will be able to assess the position and also have the necessary information to defer payments, chase debtors earlier or apply for assistance from lenders or the Government.

This is an area we can help you with, even if it is just a guide.

DEBTORS

Who owes you money and when is it going to be received? As with creditors you need to have an idea of what money is due and when in order to plan your outgoings accordingly.

CREDITORS

It is important to collate a full list of creditors and determine when the payments are due, most suppliers will engage in dialogue re payment terms and it is much more effective than ignoring the demands.

LOAN REPAYMENTS

Many banks have agreed to provide a capital repayment holiday as well as providing other significant support.

MANAGING STAFF

SICK PAY FOR EMPLOYEES

Statutory sick pay will be due to employees if they qualify and are off sick please go to https://www.gov.uk/government/publications/-paying-sick-pay-to-employees and ACAS have some good information their link is https://www.acas.org.uk/coronavirus

AN EMPLOYEE WHO NEEDS TIME OFF TO LOOK AFTER A DEPENDANT RELATIVE

https://www.acas.org.uk/coronavirus

EMPLOYMENT SUPPORT ALLOWANCE

As you are aware the benefits system changes all the time and we do not normally advise on this however this link may help

https://www.gov.uk/employment-support-allowance

Having the right amount of cash and stock on hand, not letting debtors and creditors go too high takes a lot of management. **It is vital that you give some thought as to what levels do you need in each area and address shortfalls or risks as appropriate.**

Do you as owners have private funds? If so, is it appropriate to introduce these to the business as some or part of the way forward?

BANKS

Your bank should be able to provide advice as to what options each provider is making available to customers. It is widely expected that capital repayment holidays will be available to most businesses.

There are two schemes involving the Bank of England:

• The measures on 11th March included a term funding scheme aimed at SMEs delivered via the banks: https://www.bankofengland.co.uk/news/2020/march/boe-measures-to-respond-to-the-economic-shock-from-covid-19. Ask your bank about support.

• Another scheme for larger firms via the Bank of England https://www.bankofengland.co.uk/news/2020/march/hmt-and-boe-launch-a-covid-corporate-financing-facility and for which there is a market notice explaining some of the detail of how the facility will work:

https://www.bankofengland.co.uk/markets/market-notices/2020/ccff-market-notice-march-2020.

Application forms and pricing will be added to the Bank of England's website on Monday 23 March 2020

The Development Bank of Wales are offering a three-month capital repayment holiday to their customers to help manage cash flow as the Coronavirus continues to develop.

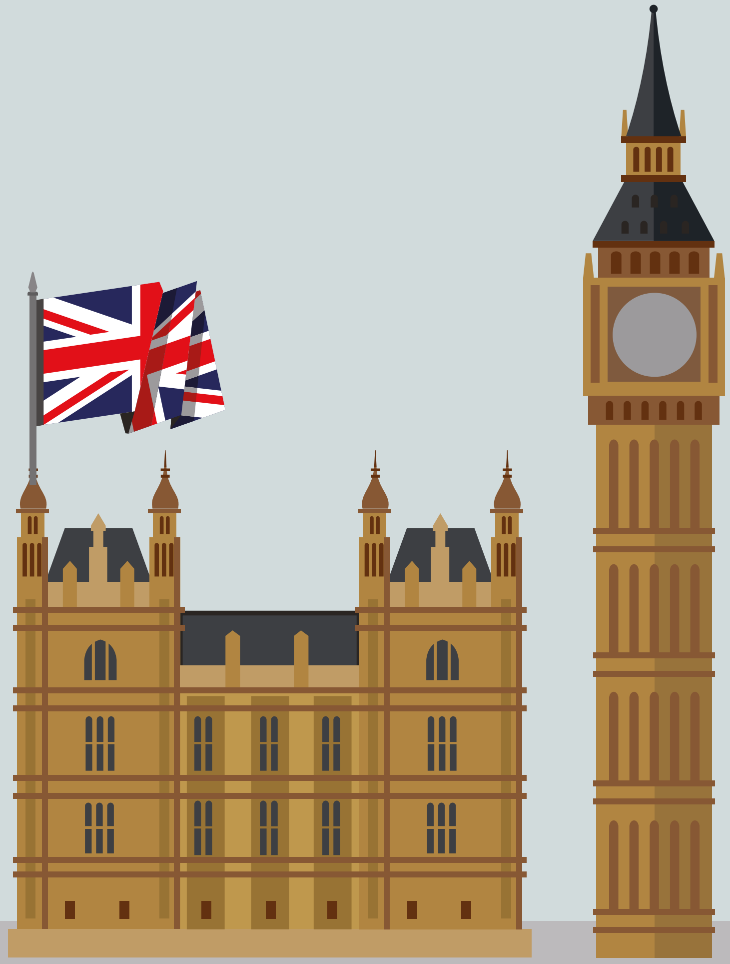
https://developmentbank.wales/coronavirus-support-welsh-businesses

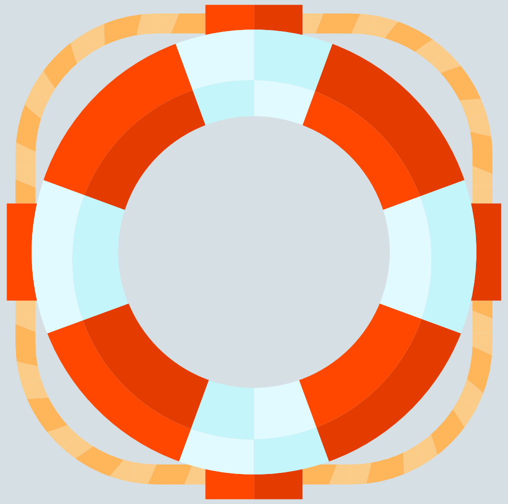
WHO CAN HELP WITH ANY IDENTIFIED CASH FLOW SHORTAGES?

SUPPORT FROM GOVERNMENT

The Government say:

'There will be £330bn of guarantees – that means any business who needs access to cash to pay their rent, salaries, suppliers, or purchase stock, will be able to access a Government-backed loan, on attractive terms. Finance Minister Rebecca Evans and the Minister for Economy, Ken Skates have announced a new £1.4bn business support package to help businesses across Wales.





The scheme is designed to support smaller businesses (SMEs) who do not meet a lender's normal lending requirements for a fully commercial loan or other facility, but who are considered viable in the longer-term The announcement on the Gov.uk website lists the various measures available and who is administering them https://www.gov.uk/government/publications/businessessupport – it is comprehensive and updated as they add additional measures but we have put some of the current main ones below:

• **The Coronavirus Business Interruption Loan Scheme** has been expanded from £1.2m to £5m backed by an interest waiver for the first twelve-months. More detail on how this will work is set for release early this week. https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils/

• **The coronavirus job retention scheme** – all UK employers will be able to access the scheme and it is set up to continue paying part of their employees salary that would otherwise have been laid off during this crisis. This scheme is accessed via HMRC, these employees are designated as furloughed; we are waiting for updates as to how this will work. Currently we are told that up to 80% of furloughed workers wage costs, up to a cap, of £2,500 per month will be reimbursed by HMRC.

• **VAT** – VAT has been deferred for three-months, the deferral scheme will apply from 20 March to 30 June 2020. Note the use of deferred not cancelled, we would urge you to prepare your VAT as normal so you know what the liability is and we can then plan for it appropriately.

• **Income tax** – for income tax the July payment on account will be deferred until January 2021. Please note the use of the word deferred, in some cases the January 2021 payment will be larger as a result and we will need to plan how this is going to be managed. To allow us to do this for you we will need to get accounts done in a timely manner to see what the liabilities are and if we can reduce the tax position for you; many businesses will be incurring losses and if we can get the

• **Grants for retail, hospitality and leisure business' operating from smaller premises** - there will be a further £25,000 grants for retail, hospitality and leisure businesses operating from smaller premises, with a rateable value over £12,001 and below £51,000.

• **Time to pay** – HMRC operate a time to pay service where businesses experiencing problems with the payment of their tax bill may be able to agree payment terms with HMRC, this is being scaled up currently.

• **Statutory sick pay (SSP)** – the Government have announced that small and medium sized businesses will be allowed to reclaim SSP paid for sickness absence due to COVID-19. As always there are conditions have a look https://www.gov.uk/government/publications-support-for-businesses#support-for-businesses-who-are-paying-sick-pay-to-employees

• **Rates** will be waived for businesses in the retail, hospitality and leisure businesses, for the next 12 months.

• There will also be support for **liquidity among large businesses**, with a major new scheme being launched by the Bank of England to help them bridge coronavirus disruption to their cashflows through loans – see bank section above.

• There was also clarification that Government advice to avoid pubs, clubs and theatres is sufficient for businesses to claim on their insurance where they have appropriate business interruption cover for pandemics in place. The Association of British Insurers have issued a statement on business insurance cover here https://www.abi.org.uk/news/news-articles/2020/03/statement-on-business-insurance-and-coronavirus/

• To support the food industry and help provide meals for people who need to self-isolate, planning regulations will also be relaxed to allow pubs and restaurants to start providing takeaways without a planning application.

OTHER SHORT LENDERS

We can put you in contact with funders who may be able to provide various loans and funding options.

If you are not a limited company, you may be entitled to other benefits and would refer you to the Citizens Advice website for more assistance. This would include Directors of a limited company but not the company itself.

ACTION POINTS

• **Do not make any long-term decisions, especially about the sale of assets, cessation of the business without speaking to us first.**

• **Do bring your accounts up to date so you are aware of future liabilities – in times of crisis it is always easy to defer your accounts, or VAT but this is the best time to get your affairs up to date. Once you know what the tax bill is you can plan the payment of this appropriately.**

• **Do speak with us about business losses - maybe we can reclaim some earlier paid tax from HMRC.**

• **Do check insurance policies – for example are you or your staff covered by any sickness claim, is there a loss of earnings claim?**

OTHER ISSUES

STRUGGLING TO PAY MORTGAGE, CREDIT CARDS ETC.

Three-month mortgage holidays and credit card forbearance are available for those who are struggling. If you may struggle to keep up with your bills and keep food on the table, speak to your lender as soon as you have a grasp of your cash flow.

STRUGGLING TO PAY RENT

Speak to your landlord, Boris Johnson has said that private and social renters will be protected from eviction for three- months in emergency legislation.

BUY TO LET

Payment holidays on buy-to-let mortgages will be available for up to three- months on the understanding that the benefit is to be passed to the tenant.

CHARITIES

For anyone involved with charities:

https://www.civilsociety.co.uk/news/coronavirus-what-charities-need-to-know.html

Government guidance is changing all the time the link to the latest advice is https://www.gov.uk/guidance/coronavirus-covid-19-information-for-individuals-and-businesses-in-wales#welsh-government-support-for-businesses

This list covers a wide range of topics and clearly the situation is changing day by day, the links and information is correct at the time of writing but if further help is announced, especially regarding the self-employed, we will contact you again. If there is something you are concerned about, please do get in touch and we will try to help as this document is primarily about information not advice. Please do have a look at the options and speak to us for advice before proceeding with a course of action, for example some options available to you will be more expensive than others.

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