



COVID-19: Insolvency and Support for Businesses

At JPC we know that the COVID-19 outbreak is already having an enormous impact on businesses and commerce. Organisations are being forced to take drastic action and make difficult decisions quickly, with Government and WHO's guidance changing on a daily basis.

Cash flow is a major concern for businesses right now, who may fear that the onset of insolvency is inevitable during these uncertain and testing times.

We have therefore produced a list of key points below which may be useful to business owners in the current climate:

1. Government support schemes

The Chancellor has set out a package of measures to support businesses which can be summarised as follows. Exact details of how these schemes will operate and the criteria that will be applied are still being confirmed and will be explained once the new legislation has been finalised, but the main features as we understand them to be at the date of this article are

- **Coronavirus Business Interruption Loan Scheme:** if your business qualifies (for example, if it has a turnover of less than £45 million per year) you may be eligible for a loan of up to £5 million and for up to 6 years.

The added benefit of the scheme is that the Government are proposing that for the initial 12 month period and fees or interest payments shall be met by Business Interruption Payment thus giving small businesses the breathing space to get back on track.

- **Business Rates Holiday for Retail, Hospitality, Leisure and Nurseries:** businesses in these industries will not have to pay business rates for the 2020-2021 tax year and this relief shall be applied to their next council tax bill.
- **Cash Grant for Retail, Hospitality and Leisure:** businesses in this sector may receive a cash grant of up to £25,000 per property subject to it having a rateable value between £15,000 and £51,000.
- **Coronavirus Job Retention Scheme ("CJRS"):** all UK employers with a PAYE scheme can access support to continue paying part of their employees' salaries who otherwise would have been made redundant during this crisis up to 80% of their wages or a cap of £2,500 per month.

At the present time, the CJRS is available for 3 months (in respect of the cost of wages from 1 March 2020) but the Chancellor of the Exchequer has said he would be willing to extend this if necessary.

However, this shall require employers to first place the relevant employees on 'furlough leave' and inform HMRC of the same.

For more details please refer to the article by Julie Edmonds, Head of Employment Law at JPC:

“Furlough Leave – What You Need to Know”?

<https://www.jpclaw.co.uk/latest/furlough-leave-what-you-need-to-know>

- **Small Business Grant Funding:** additional funding for Local Authorities to support small businesses in the form of a single £10,000 grant (but not available until April)
- **Statutory Sick Pay Rebate:** the Government is bringing forward legislation to allow small and medium-sized businesses to reclaim up to two weeks of Statutory Sick Pay paid for staff sickness absence due to coronavirus. However, this is only available to businesses with 250 employees or less.
- **Time to Pay:** if you are worried about missing your next tax payment, penalties and any existing debt collection proceedings you should contact HMRC as you may be eligible for their “Time To Pay” service. Arrangements are agreed on a case-by-case basis.

The HMRC’s helpline number is: **0800 0159 559**

- **COVID 19- Corporate Financing Facility:** the facility entails the Bank of England buying short-term debt from larger companies, which should help companies that have been affected by a short-term funding squeeze.

The facility has been put in place since 23 March 2020 and larger companies can now make an application via banks for the same.

- **VAT Deferral:** payment of VAT has been automatically deferred for 3 months from 31 March 2020 to 30 June 2020. However, taxpayers should remain mindful that any liabilities accrued during this period shall still need to be paid by the end of the next tax year (2020/2021).
- **Deferral of Self-Assessment payment:** payments on account which would usually be payable to HMRC by 31 May 2020 can now be deferred until January 2021.

You can contact the Government Business Support Network on 0800 456 3565 or visit the website <https://www.gov.uk/>

- **Self-Employed Income Support Scheme (“SEISS”):** if you are self employed, more than half of your income is derived from your own business and your trading profits are less than £50,000 per annum then shall be eligible to apply for a grant to financially assist you in the event of your business being adversely affected by the impact of the Covid-19 pandemic.

The grant is calculated based on your total trading profit in the previous 3 years and the individual shall then be entitled to 80% of said trading profits up to a cap of £2,500 per month. coronavirus.

Similar to the CJRS, the SEISS is available for 3 months (from 1 March 2020) and again the Chancellor of the Exchequer has indicated that, if necessary, he shall be prepared to extend the same.

However, at the present time the SEISS is not likely to be available until June 2020 though there are calls to bring this date forward to avoid financial hardship to the self employed during the interim period.

2. Contact your landlord

If you are struggling to pay your rent, your landlord may be willing to grant you a rent “holiday”. It is important that any variations to payment terms are recorded in writing. More information can be found here:-

<https://www.jpclaw.co.uk/latest/coronavirus-and-commercial-property>

Parliament has now enacted the Coronavirus Act 2020, which makes temporary changes affecting landlords and tenants:

- No business leases may be forfeited by re-entry until 30 June 2020 (which may be extended);
- Landlord cannot waive the right to forfeit for non-payment of rent;
- Landlords must give 3 months’ notice to terminate all residential short leases;
- All possession proceedings have been stayed and no orders for possession may be enforced against commercial or residential premises until 30 June 2020 (which may be extended).

3. Contact your customers regarding outstanding invoices

Now is a good time to contact your customers in respect of any overdue invoices. It may also be prudent to raise invoices now for work done, so that they can be processed while finance teams are still operating.

Further, you may wish to encourage your customers to make payment immediately upon receipt of your invoice and could consider a payment incentive for settlement within a short period of time.

4. Review your business insurance

Check the terms of your policy, as this may provide you with Business Interruption cover. If you have any questions, you should contact your insurer.

5. Companies House

From 25th March 2020, businesses will be able to apply for a 3-month extension for filing their accounts.

This joint initiative between the government and Companies House will mean businesses can prioritise managing the impact of Coronavirus. While companies will still have to apply for the 3-month extension to be granted, those citing issues around

COVID-19 will be automatically and immediately granted an extension whereas under normal circumstances companies that file accounts late are issued with an automatic penalty.

Applications can be made through a fast-tracked online system.

6. The UK Insolvency Regime

The Insolvency Service and UK Government are considering urgent changes to insolvency laws to prevent companies unable to meet debts due to the impact of coronavirus from being forced into liquidation.

Potential measures could include:

- A temporary moratorium for businesses undergoing a restructuring process, during which time they cannot be sought to be placed into administration instead.
- Changes to other insolvency mechanisms including possibly 'Wrongful trading' whereby a company director continues to trade knowing the business is unable to avoid going into liquidation they can be held personally liable for certain losses incurred in the event that the company subsequently goes into liquidation.
- Barriers to creditor enforcement action such as that taken by the Australian and German governments. Both have already introduced laws to make it harder for creditors of companies to file winding-up petitions during the Covid-19 crisis.

NEED SOME ASSISTANCE?

JPC can not alone provide help and guidance to businesses during these testing times but we also work closely with firms of accountants and insolvency practitioners in the event that specialist advice is required about the options available to businesses and/or formal procedures should they have growing concerns in this unfortunate and increasingly uncertain landscape.

If you require any advice or assistance in dealing with the issues we have outlined and insolvency advice generally, please contact Niten Chauhan or Ms Catherine Burgess by email nchauhan@jpclaw.co.uk or cburgess@jpclaw.co.uk or by telephone on 020 7644 7263 or contact them on LinkedIn [insert hyperlinks to profiles]