

An Update from White Rose Regarding the Latest Financial News Surrounding COVID-19

Dear Clients and Colleagues

### **So, Where Do We Begin?**

It's needless to say that the last couple of weeks have been nothing short of unthinkable. If someone had told me back at the end of January, when me and the White Rose team were out celebrating another January tax return deadline being over that I'd be sat here writing this within two months, I'd have told them they'd had a few too many Pilsners and been stood out in the cold too long. Yet here we are, countries in lockdown, huge corporations on the brink of collapse, airline companies having to ground aircraft because nobody wants to fly on them, and more importantly an immense amount of uncertainty surrounding how businesses like yours will manage to see out the unknown period of time we are now faced with all this uncertainty.

### **Well, What Do We Know So Far?**

At this moment in time, with the ever changing landscape around the world, nobody outside of the officials in the world's Governments really know. Issues surround the risks of people being told to stay indoors, not to gather socially and avoid businesses such as restaurants and bars, and more importantly from a business point of view, the overriding threat of a total nationwide lockdown to everyone other than the primary business services. If this were to happen there could be the risk of many businesses being faced with the prospect of no income, leading to increased worries over just exactly how the bills (from a business and a personal standpoint) are going to get paid. Some businesses such as bars, hair salons and other retail outlets are already feeling the effects of this with no footfall and cancelled appointments over the last few days.

### **What has the Government promised?**

Part of the announcements in the Budget on March 11<sup>th</sup> promised a £30bn fund to help the financial burden on the economy through this period. Included within this was a promise of £7bn to be issued to businesses across the country through a range of different sources and incentives. In addition to this, it was announced on Wednesday that a further £300bn war chest was to be introduced to help support this, with the promise of further aid if required.

### **What is available?**

At the time of writing there are several items of interest to businesses across the country and trade sectors. Some will benefit certain businesses more than others and some are designed for certain business sizes and sectors. However we believe the most common items of aid will be the small business grants and the small business loans being made available. Industry specific items such as the cancellation of business rates for businesses within the retail and leisure industries will certainly help to ease pressures in the most vulnerable sectors as well.

## Grants

One of the most common questions we have fielded in the last week surrounds details about the promised grants. Based on the information we have seen so far, any business who rents a property (either from a traditional landlord or a related business) will be eligible for a grant of **£10,000**. There are unfortunately two main caveats to this. Firstly, this grant is only available to business who have business properties, as its aim is to remove the burden of paying rent, rates and power costs in order to keep businesses open and in a premises, therefore small business owners who work out of their own homes will NOT qualify for this in any way. In addition, any business who pays a larger business rates bill unless they are in the hospitality industry (more on this part below) will not qualify either. The Governments comments on this so far only cover “businesses who pay little to no business rates will receive a grant”, which will hopefully mean further light will be shed on where the line is drawn in the coming weeks.

These grants will be issued to all businesses based on their location through their local authorities. There is no need to apply for these grants due to the fact the local authorities already know who pays how much rates and where. The latest information states that these grants will become available in April, although there has been no specific details as to when exactly.

## Business Loans

The second major funding stream introduced by the Government is the new Business Interruption Loan Scheme. This will provide businesses with loans of up to £1.2m, with the first six months of these loans being interest free. There are also mentions of the Government guaranteeing the lender (the people loaning the money to businesses) 80% of the loans in order to release personal guarantee pressures on businesses, however we expect that this model will follow the Enterprise Finance Guarantee Scheme (EFG) already in place with the British Business Bank, whereby this guarantee will only be upheld once the lender has exhausted all other options to recover the loans (i.e through personal repossession of goods etc), so this needs to be noted.

Naturally the size of the loan available to each business will vary, is restricted to businesses with an annual turnover of £41m or less, and must also meet other criteria of the British Business Bank, which currently remains largely unknown. At a guess these criteria may also follow the guidelines of the EFG, which includes not having received over €200,000 (Euro) in state aid over the last two years, and most importantly must be able to prove that the repayment would be feasible. It would also be safe to assume that these loans will be open in terms of length, but on the basis of the existing EFG a maximum cap of ten years would be in place, although it would be unlikely that most small loans would be accepted over this amount of time.

As this option is open through the British Business Bank, these loans would only be available through credible funding channels. The British Business Bank currently has around 40 different accredited lenders. Needless to say every commercial bank is included on that list, so the easiest option may well be to contact either us or your own bank as a starting point. From the information we have seen we believe that these loans will begin to be made available from Monday 23<sup>rd</sup> March, BUT it would also be wise to expect that due to the short turnaround between announcement and anticipated rollout that there will be some lag before the lenders are ready to start receiving applications and issuing loans. It would also be safe to assume that there will be a period between applications and receiving funds, possibly weeks, however this will more than likely vary based on the amount borrowed and the length of the loan.

## **The Retail, Hospitality and Leisure Sector**

As mentioned above, the hospitality sector is arguably the most vulnerable business sector in the country right now. The Government promised additional aid packages to this sector including a mixture of both specific grants and loans. Business within this sector who currently pay business rates on a property with a rateable of up to £51,000 (the amount on which the rates are calculated, not the actual value of the property) will be no longer be required to pay any rates for the next twelve months. In addition, these specific businesses will be able to access grants similar to the ones mentioned above, however the amount available is increased to **£25,000**. This will only be available to businesses who currently pay rates over and above the smaller business rates detail above (more clarification will be required from the Government on this as mentioned above) but anyone falling below this line will still be eligible for the £10,000 grant mentioned above.

The Business Interruption Loans mentioned above will also be available to businesses in the hospitality industry, meaning that these businesses will hopefully receive grants of up to £25,000, a loan with six months interest free and no business rates for the next twelve months, which will hopefully prove a shot in the arm for this badly affected sector.

### **So, Are There Any Other Things We Can Do?**

In some cases, yes there could be. One service which could prove to be useful is the Time to Pay arrangement which HMRC currently has in place. Any businesses (regardless of size of sector) can request to arrange a payment plan with HMRC to settle its tax obligations over a prolonged period of time, and extends to any typical business tax including income tax, PAYE, VAT and corporation tax. This service has been in place for several years and has proved to be particularly effective for smaller businesses to manage cashflow. In normal circumstances, these arrangements can be taken out over periods of up to six months without too much hassle, or even longer if projections can be given to HMRC to justify the extended period requested, it now remains to be seen whether this period will be extended by HMRC to help ease more pressure. These arrangements would normally lead to interest being charged by HMRC, however we have read reports that the government have promised that all interest charges on arrangements of up to six months would be waived. HMRC have stated that arrangements would need to be discussed when tax payments are either overdue or imminently falling due, so please speak to us before arranging plans with HMRC.

There are other procedures that could be put into place in order to protect reserves for longer periods of time, one such example being altering the VAT status of your business (if VAT registered), altering the accounting scheme with which you pay over VAT to HMRC (if businesses are working but not being paid it may make sense to pay over VAT on money received rather than invoices raised), or extending financial years in order to extend accounting years to either account for losses sooner or provide further time before any tax is due (this would be a last resort). In terms of insolvency there are options to restructure existing debts through formal arrangements with creditors, as well as removing debts through liquidation (again this would be a last resort).

Each option would need to be discussed on a case by case basis, please speak to us if you would like further information on a more tailored option based on these.

### **What Can White Rose Do to Assist?**

As Chartered Certified Accountants we are here to help guide and advise you during this unprecedented time. Due to the fluid nature of the situation we find ourselves in, there may be times where certain advice is challenging, but we always strive to give you the most up to date and accurate information we can. That being said, we are also here to provide you with the usual day to day services we have become known for over the last thirty years. In this challenging time it will be

crucial for businesses to be as up to date with their statutory accounting requirements as they possibly can be. It goes without saying that if any business would like to explore any of the options above, there will be a certainty that any potential lenders will require sight of the most up to date financial information. It is highly unlikely that any lender will look into providing loans when the businesses accounts are over a year old. It is also certain that any repayment arrangements sought with HMRC will be rejected unless the business is fully compliant with all filing requirements, all VAT returns submitted, payroll submissions up to date, and tax returns completed and filed. HMRC WILL NOT enter into time to pay arrangements if anything is outstanding. It will also look favourable for businesses who apply for these options if all filing requirements are completed before the applications are undertaken, which adds even more benefit to making sure these are completed and on time.

Please do not be afraid to ask us to complete work for you in this regard, as it is crucial that ALL your financial information is completely up to date.

### **We Are Here To Help**

At the time of writing, our office is still open and fully functioning, and we will do everything we can to ensure that this remains the case until we are told not to. In the event that the office is forced to be closed we would be available on the usual email addresses and telephone numbers from our homes.

Please do not hesitate to send in your records to our office in order for us to complete any works required. Clients who pay us on a monthly basis will already have paid for works to be undertaken, so please do not hesitate to arrange for these to be completed if this applies.

We also have several contacts within the practices mentioned above who we have no doubt would be happy to help. We would also be happy to assist with any funding applications and arrangements you would like to proceed with, so please let us know if this is something that interests you.

We will try and keep you as updated as we possibly can over the weeks and months ahead, but please do not hesitate to contact either myself or the rest of the White Rose team if you require any assistance.

**Assuring you of our best attentions at all times.**

*Daniel*

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