

Government Support for Businesses with £350bn Covid-19 Crisis Aid.

Our guide to the support you can claim.



To all our clients and friends,

We are all facing challenging times ahead. The government has arranged a range of measures to assist financially and you should take these up where you can. We have set out below our understanding of most of these measures and our advice on them to the extent we can advise.

Grants for small businesses

Firstly, very small businesses may get grants of up to £10,000. The details are somewhat unclear, given that it appears that local authorities will contact businesses directly, so our understanding is that you do not need to apply for these until contacted. This is therefore likely to only be available to people who are on the business rates register and may not apply to home-based businesses. We will try to obtain more detail when we can.

Time to pay

One of the most important measures introduced is time to pay taxes. If you think you may experience cash difficulties in paying current PAYE, VAT, Corp Tax or Income Tax in the next few months then please try taking up this offer as soon as you know the amount and the tax returns have been filed. You will need to call HMRC and explain that you need time to pay. HMRC are doing all they can to help. Be sensible where you can to avoid building up debts. Ask to spread VAT payments over the next three months before the next VAT payment is due (and then do it again with the next one). You are likely to be able to spread Corp tax over 3-12 months.

You are likely to get a better hearing from HMRC if you target the Time to Pay requests at the larger amounts you owe and pay the smaller ones to avoid building up debt. This will minimise the number of times you ask for Help to Pay.

Rates

The government is extending rates holidays to larger SME's than was announced in the budget - targeting rates holidays at the leisure and hospitality sector. Our understanding is that this will be applied automatically and does not need you to do anything. For businesses not in the leisure and hospitality sectors we advise you to call your local authority and see what they can do to defer payments if you need. The normal rules are that if you miss 2 payments, they can demand the full amount for the year in one go - there is no advice issued but we believe local authorities should be sympathetic.

We are actively lobbying people we know to extend rates holidays or deferment to all SME's regardless of their sector.

Government support loans

The government announced a £330 billion loan support package for SME's. The maximum loan that can be requested is £5 million. The loans will be administered by the banks who already administer Enterprise Finance Guarantee Loans (growth loans for SME's backed by the government), so there are already systems in place to deal with applications. Please note there is likely to be a time lag between requesting and getting a loan - current EFG loans typically take 3 months to draw down. We assume the timescale will be reduced for the new scheme but there is no assurance of that - so plan ahead.

The loans will be administered by your bank manager, so if you think you may need one in the next few months start applying NOW or in the next few weeks - you want to get to the front of the queue. Banks will have to assess who gets the loans and how much they will need support for (with detailed monthly cashflow projections to show you can repay them when we get through the downturn) - there is likely to be some sort of triage on finances. Start preparing cash flow forecasts for the next 12 months and the following 2 years to demonstrate you can service the loan.

The loans will probably be 2-5 years with normal low interest (with a six month interest holiday, as we understand) and possibly normal arrangement fees. The government is waiving its costs (under EFG they usually charge a government interest and arrangement fee on top of the banks interest and fees for providing the guarantee to the banks).

Alongside the above, banks are offering payment holidays on existing loans if you need them – this is not across the board but do talk to your bank early if you need help on this.

So what else can you do?

We advise you keep a cashflow forecast updated for 12-18 weeks ahead to provide you visibility of your cash flows. Try to pay people on time wherever you can. We also advise that you talk to suppliers, creditors or landlords and keep them up to date. Landlords are likely to agree to monthly payments instead of quarterly if you are a good tenant. Pay the smaller suppliers so that you minimise the number of people chasing and it makes it easier to be proactive in keeping a few key creditors informed and on side.

Our continuing service

Carbon has implemented plans to have approximately 80% of staff working from home for the foreseeable future. Whilst we will endeavour to provide a full and consistent service please bear with us as there may be a few minor technical glitches along the way, but we are well prepared and most staff have worked from home previously on occasion, so our systems are reasonably robust and tested.