Butt Miller

Chartered Accountants

Coronavirus

Financial Information for Businesses

Limited Companies and Directors

This is the latest information available to us in relation to the various support packages announced by HMRC as at Tuesday, 31 March 2020.

Tax payments

No VAT payments will be required for the next 3 months. If your business is VAT registered, you will continue to collect the VAT from your customers as normal, but VAT payments to HMRC are suspended until after July. If you are a business that recovers VAT those repayments will be made as usual. Any VAT deferred in this quarter is due to be settled with HMRC by 5 April 2021.

Returns will still be required as normal, even though the VAT is not payable. Please bear in mind that there are steep penalties for failing to submit Returns.

If HMRC usually collect the VAT due via Direct Debit, please cancel that Direct Debit arrangement, unless you are due a repayment of VAT.

Corporation Tax remains payable, as normal at the present time, whilst the payment of tax due from the Self Employed in July is being deferred by 6 months. However, HMRC have been operating a Time to pay scheme for a number of years, and this has been enhanced to assist businesses that are struggling as a result of the Coronavirus outbreak to settle taxes due. The number to call is 0800 0159 559. If the liability is not yet due, you will need to call them nearer the due date for payment. HMRC will expect you to have a payment plan proposal when you call.

Companies House has announced that they will allow additional time to file any accounts, reports and confirmation statements, but you will need to make the application before the filing deadline.

The Self Assessment tax payment due in July is being deferred for all tax payers, so payments of tax due under Self Assessment in relation to dividends drawn from your own company will not be due until 31 January 2021.

Employment

We have separate guidance notes available in relation to the company's liabilities as an employer, but detail below issues that may affect the directors personally.

A director who contracts Coronavirus will be able to claim Statutory Sick pay.

Directors and Furlough

HMRC have now confirmed that company directors qualify for the Furlough Scheme, even though they will continue to have statutory duties to carry out for the company. However, you will need to be careful in this instance to ensure that any work carried out by the director is strictly within the definition of Statutory duties.

Statutory Duties of a Director

- Act in the best interests of the company;
- Follow its constitution and Articles of Association;
- Maintain confidentiality of the company's affairs;
- Promote the success of the company;
- Avoid conflicts of interest;
- Ensure the company meets statutory compliance obligations;
- Ensure that the company is solvent;
- Act in the best interests of the creditors if the company is likely to become insolvent.

The Government is proposing a relaxation of the insolvency rules and statutory duties and these notes will be updated when that information is available.

Please bear in mind that the payment that can be made to a director under Furlough arrangements is limited to the income reported through PAYE and income taken as dividends will not be eligible for the scheme.

In the meantime:

- It is not clear whether a director who is on Furlough will still be able to make decisions about operational matters, where staff are still working, for example.
- It is not clear how the availability of some work for the company whilst a director is on Furlough will be treated – can the director refuse the work, as they are on Furlough, even if in the short term it is better for the company to accept the work?
- Can a director subcontract the work to a third party to avoid having to come out of Furlough?

Universal Credit

Universal Credit may be available to directors who cannot work due to contracting the Coronavirus or being required to Self Isolate. The application is made online, and currently requires you to attend an interview with the Job Centre. Based on the number of potential cases and the reason for the claim, it is likely that the requirement to attend an interview will be suspended in the interim. Eligibility is linked to your payment of Class 1 National Insurance in the previous 2 to 3 tax years.

You may also be entitled to claim Universal Credit if you are not unwell, but currently have no work. The maximum period you can backdate a claim is one month, so if your work is drying up, it may be worth putting in an application sooner, rather than later to ensure that you qualify for the maximum benefit available to you, irrespective of any additional assistance that is yet to be announced.

Business Rates

Relief from Business Rates was announced for the Leisure sector in the Budget on 11 March. The councils are working on issuing new bills, but things have moved on at pace, so that relief from business rates was extended to the retail sector and nurseries for the coming year.

In addition to the Business Rates holiday, one off grants are being paid to very small businesses that have been paying business rates, and those in the retail, hospitality and leisure sector:

- £10,000 for businesses that qualify for small business rate relief or rural rate relief;
- £10,000 for businesses in the retail, hospitality or leisure sector who paid business rates with a property with a rateable value of less than £15,000;
- £25,000 for businesses in the retail, hospitality or leisure sector who paid business rates with a property with a rateable value of between £14,999 and £51,000;

There is no application process, the revised rates bills will be issued automatically by the local authority and they will also be contacting businesses as appropriate about the grants.

The guidance from Government to local councils has now been published. Many local authority websites now have the facility to enquire about these grants, so that if you believe your business should have qualified for the grant you can now make an enquiry about eligibility.

Settlement of Taxes that remain payable, such as PAYE and NIC

HMRC have been operating a Time to pay scheme for a number of years, and this has been enhanced to assist businesses that are struggling as a result of the Coronavirus outbreak to settle taxes due. The number to call is 0800 0159 559. If the liability is not yet due, you will need to call them nearer the due date for payment. HMRC will expect you to have a payment plan proposal when you call.

Business Interruption Loans

You may wish to consider an application to the Business Interruption Loan Scheme to help with cash flow. The banks are offering loans backed by the Government, which will be interest free for the first 12 months.

By way of example, one of the High Street big 4 banks has advised us of their terms:

- Loans are available for £25,001 up to £5m.
- £25,001 - £100,000 - Secured by short form guarantee
- £100,001 - £250,000 - Secured by short form guarantee and debenture
- £250,001+ - Personal Guarantee, debenture and tangible security
- Loans are capped at the greater of 25% of turnover or two times the annual payroll cost
- Interest free for first 12 months
- Deferment of repayments for up to 12 months
- Minimal administration for applications
- Security may be required
- Unsecured Loans will be capped at £250k

We understand these to be fairly standard terms, but the precise details will vary from lender to lender. If you are considering applying for a loan we would suggest contacting your own bank in the first instance.

You will need to put together a business proposal including a monthly profit and cash flow forecast to make the application to the bank, and Butt Miller will be happy to help with the proposal and forecasting.

Early experiences

There is obviously a significant demand for these loans as almost all businesses are struggling for cash flow.

If you need to make an application,

- Bear in mind that you will be responsible for paying back the whole of the loan, not just the 20% that is not government backed;
- Some banks are requiring personal guarantees;
- If the business cannot pay back the whole of the loan, your guarantee will be called to cover as much of the loan as possible before resorting to collecting the balance from the government;
- The simpler and easier you can make your business proposal the quicker your application is likely to be processed;
- A business that was viable before the crisis should be accepted for a loan now;
- Providing information on how the management is reducing costs and managing cash flow is essential;
- Anticipating how the business will manage cash flow if the situation continues to deteriorate will help your application;
- Your bank may offer an alternative package that is outside the scheme. Check carefully to ensure that this package is in fact better for you;

Solvency

Whilst every effort is being made to keep businesses afloat when they might otherwise expect to fail under current circumstances, the duties of directors have not changed. They are still required to monitor the solvency of the company and are obliged to act in the best interests of the company. However, these are unusual times and a company that is not currently solvent might continue to be viable because of an expectation of a return to significant trading in a few months. Although HMRC have announced a relaxation of the insolvency rules, Directors will still need to tread carefully when taking the decision to continue to trade through an insolvent company because they may be personally liable for any losses that arise from knowingly trading whilst insolvent, even under the revised regulations.

How we can help?

Please contact us if you would like further advice.

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Disclaimer

The above information is provided in good faith and to our knowledge is current as at the date of this sheet. As and when guidance changes or more information becomes available, we will update this guidance.

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