

## **CORONAVIRUS (COVID-19) 4 ESSENTIAL ISSUES FOR ALL BUSINESSES AND SOME INDIVIDUALS**

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Coronavirus is a global crisis, which is likely to affect us individually one way or another. Four essential issues that need consideration are:

### **1. CASH FLOW**

Businesses rely on cash flow, no matter how large or small they are. Cash flow is often tight and, therefore, should be addressed early. Most business' largest cash flow items are rents, staff costs, VAT and other taxes, pressure from suppliers. It is best to address these issues early.

Note: the government announced in the Budget the Coronavirus Business Interruption Loan Scheme, which became available on Monday 23<sup>rd</sup> March 2020 <https://www.british-business-bank.co.uk/ourpartners/supporting-business-loans-enterprise-finance-guarantee/>. For larger companies there should support from The Bank of England. The government is now encouraging the banks to make government backed loans on reasonable and fair terms. <https://www.gov.uk/government/news/chancellor-strengthens-support-on-offer-for-business-as-first-government-backed-loans-reach-firms-in-need>. Observing the numbers of applications and the numbers of grants, this particular scheme has proved cumbersome slow and overall has not been successful. The government has acknowledged this are launching a "Bounce Back" loan scheme for smaller businesses, beginning 4<sup>th</sup> May 2020. It is intended to 100% government backed loans between £2,000 and £50,000 with the government paying all the interest in the first year of the loan. <https://www.gov.uk/guidance/apply-for-a-coronavirus-bounce-back-loan>

The government is also actively looking to the future and encouraging innovation with grants to build resilience following the coronavirus outbreak. <https://apply-for-innovation-funding.service.gov.uk/competition/583/overview?elqTrackId=3F00627D77FF94C3A8721B3086D487F5&elq=cc2118c8e4b8457>

The government has also announced a number of other measures to assist businesses of all sizes including the self-employed with regard to a number of ongoing expenses including staff, business rates, VAT and tax deferral. The latest combined government response to coronavirus is <https://www.businesssupport.gov.uk/coronavirus-business-support/>. This will change.

It must be acknowledged that that the package that the Government has rolled out to date is both massive and exceptional. However, there are still going to be many businesses and individuals for whom it will be insufficient or would receive the benefit of funds too late to save their businesses and livelihoods.

### **Rent**

In respect of rent it is always possible to ask your landlord for an extension of time for payment of the rent and/or service charge or a reduction. This needs to be done carefully so there is no breach of the lease. Commercial and residential landlords may not now be able currently to obtain possession orders in respect of residential or commercial premises for 3 months until 30<sup>th</sup> June and there is a moratorium on proceedings already started. On 23<sup>rd</sup> April, the government also announced that there would be a moratorium on other means of enforcement of outstanding rent in respect of commercial premises, particularly using statutory demands and insolvency proceedings

<https://www.gov.uk/government/news/new-measures-to-protect-uk-high-street-from-aggressive-rent-collection-and-closure>

However, even so rents will remain due ,so negotiation, for a number of reasons remains the better option.

### **Staff Costs**

As to staff, remember staff are often a business's greatest asset and need to be taken care of. The Government are offering some assistance in regard to sick pay.

If staff become unaffordable and it is necessary to consider redundancies, there are processes to go through to avoid claims. However, there also may be practical alternatives to redundancy so that staff can be kept. These should be considered first.

There is now a government scheme whereby, subject to their contractual and presumably other rights staff may be "furloughed" for a limited period. During that period the Government will pay 80% of furloughed staff wages to a maximum of £2,500.00 per month. However, as part of this scheme, which is to encourage employers to keep staff, it appears it that staff are not allowed to perform any work for the employer during the furloughed period. Furloughing is a new concept in employment law and there is limited detail and understanding of the scheme at the moment. However, the government have no released further details and further updated the scheme. Please follow the link;

<https://www.gov.uk/guidance/claim-for-wage-costs-through-the-coronavirus-job-retention-scheme>

and remember that it is likely that the scheme may be further changed and updated.

Although at first sight attractive furloughing staff has some obvious difficulties and advise should be taken and alternatives examined prior to taking any steps.

### **Taxes**

In regard to taxes, including PAYE the government has already indicated that they will put in place systems for time to pay without penalty or interest. No firm guidelines have been published yet but it is best to ask HMRC early. The government have now promised a delay in payment for VAT and a deferral will apply from 20 March 2020 until 30 June 2020. For the self- employed Income Tax Self-Assessment, payments due on the 31 July 2020 will be deferred until the 31 January 2021.

## **Pressure from Suppliers**

As to pressure from suppliers, all businesses are going to be in the same boat. Some may have less resources than others. Understandably, kindness and practicality may go a long way in the long term.

Similarly, the banks appear to give the impression of being sympathetic to those suffering as a result of the crisis. Hopefully, lenders will be taking a longer term view. It is better to ask early and be first in the queue rather than late. In the case of rejection, it also gives time to look for alternative sources of funds.

## **2. EMPLOYMENT ISSUES**

Staff are probably any business' greatest asset. If your business can afford to keep its staff then it should do so. Notice periods and redundancies come at a cost, often an immediate cost, and alternatives should be considered.

Many of those working nowadays are technically self-employed rather than employees. The government scheme announced on 26th March. This has been updated and amended. <https://www.gov.uk/guidance/claim-a-grant-through-the-coronavirus-covid-19-self-employment-income-support-scheme> although generous in its terms, is very limited and excludes new businesses, those who may have had a few successful years and those individuals who run their one man businesses through limited companies. There is now one new exception to this announced on 3rd April that public sector workers who provide their services through a personal service company or umbrella company or being a "contingent" worker and paying PAYE may benefit from the furlough scheme. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/877221/PPN02\\_20-Contingent-Workers-Impacted-by-Covid-19-2.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/877221/PPN02_20-Contingent-Workers-Impacted-by-Covid-19-2.pdf)

## **3. LOCATION ISSUES**

Can your business operate from home or your staff's homes? If you are providing then services then those services may be run remotely, assuming the IT is in place. If you do not have the IT and the security to go with it these should be acquired as soon as possible.

If you are in a more practical service industry, such as plumbing, this cannot be done from home and risk will need to be assessed and the safety of staff considered strictly in accordance with government guidelines.

If you are a public facing supply business from a shop, club pub or other business that has been shut approaches to landlords, HMRC and banks should be made as soon as possible.

If you are in a non public facing supply business or an essential business such as a food supplier the, continuation is likely to rely on demand that may either reduce or increase and on staff availability. Provision for temporary staff may be required.

## **4. SUCCESSION AND CONTINUATION**

It is expected that many people are going to become ill to varying degrees and a proportion may not survive. Preparation needs to be made so that your business can

continue. This may involve ensuring you have suitable shareholder and partnership agreements in place, management processes and emergency plans. What would happen, for example, if the person who has control of the banking is no longer fit to do so, or the accounts team are ill. Could alternatives be put in place or could trusted professionals assist you in such an event?

Do you have powers of attorney in place that would see your business and personal life through illness, and if so, are they Lasting Powers of Attorney seeing you through any possible mental incapacity as well.

Finally, if you do not have an up to date will, you should do so. You may have been putting off the making of a will and it may be the time to act. Now is generally the time to act.

Nicholas Woolf & Co will be able to assist you or point you in the right direction with all of the above issues. Please do not hesitate to contact us.

All that having been said, please follow government guidelines and most importantly, stay well.

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