

Overview of UK Measures Aimed at Reducing the Financial Impact on Businesses

April 27, 2020

The UK government has announced a number of measures aimed at reducing the financial impact of the COVID-19 outbreak on UK business. A summary of the support available and the ways in which it can be accessed is set out below. The below summary does not include information relating to the Covid Corporate Financing Facility as this is aimed solely at corporates with an investment grade credit rating.

Coronavirus Business Interruption Loan Scheme (CBILS)

Under the CBILS, the government provides guarantees for facilities provided to small or medium sized UK enterprises (SMEs) by participating lenders. The government guarantee covers 80% of the borrower's repayment obligations under the facility. The conditions of the scheme make it clear that the borrower remains legally liable for the debt under the facility.

Eligibility

In order to be eligible for the CBILS a business must:

- Be UK-based in its business activity
- Have an annual turnover of no more than £45 million
- Have a borrowing proposal which the lender would consider viable, were it not for the COVID-19 pandemic
- Self-certify its business has been adversely affected by the pandemic

Businesses from any sector can apply, except the following:

- Banks and building societies
- Insurers and reinsurers (but not insurance brokers)
- Public-sector organisations, including state-funded primary and secondary schools
- Employer, professional, religious or political membership organisations
- Trade unions

If the borrower is a member of a larger group of companies the £45 million annual turnover test applies to the consolidated group not the borrower.

Types of facility

The types of facilities for which a government guarantee will be provided under the scheme include:

1. Term loans
2. Overdrafts
3. Invoice financing
4. Asset financing

Facilities will be provided on normal commercial terms and must be provided by an accredited lender. The accredited lenders are listed on the British Business Bank's website (link below) and include Barclays, Lloyds,

HSBC, Santander, Royal Bank of Scotland and other specialist lending funds.

Loans of between £10,000 and £5,000,000 can be made available through the CBILS and the expectation is that loans are to be repaid over six years. No guarantee fees are payable by the borrower to participate in the scheme and the government will make a Business Interruption Payment to the borrower to cover the fees and interest payable in the first 12 months of the facility.

Security

The lender is not prevented from taking security for a facility. Security may be taken over the assets of the borrower and/or in the form of personal guarantees and security over the assets of any guarantor provided that personal guarantees may not be taken for loans of less than £250,000 nor can the lender take security over a personal guarantor's principal place of residence to secure a personal guarantee.

How to apply

The scheme is available now and in order to apply borrowers should approach one of the accredited lenders participating in the scheme. It is suggested that a borrower makes this approach via the lender's website.

The information that must be provided to the lender include:

- Management accounts
- Cash flow forecast
- Business plan
- Historic accounts
- Details of assets

Practical considerations

The scheme details makes it clear that the borrower remains fully liable for the facility in the first instance. We are of the view that in practice this means the lender would have to enforce its rights under the facility documents and any guarantees and security first before it could claim under the government guarantee. Claims made under personal guarantees are limited to 20% of the amount of the facility but there are no such limits on the value of the security given by a borrower. Given this and the heightened business risk as a result of the pandemic, borrowers should consider carefully the form the facility should take and also its repayment profile to ensure the borrower has sufficient time to generate the cash required to repay the facility.

The terms of existing financing documents may prevent the borrower from entering into a new facility or granting new security without the consent of the existing lender. Consequently, if a potential borrower has an existing financing, it should consider approaching the existing lender (if it is an accredited lender) to see if it is prepared to provide the new facility and if not that it will consent to the borrower entering into a new facility.

See more information on the [CBILS](#)

Coronavirus Large Business Interruption Scheme (CLBIS)

The Chancellor announced the launch of the CLBIS on 3 April 2020. More details are expected in the coming days but we do know that the CLBIS will be aimed at those businesses with turnovers of over £45 million (and are therefore ineligible for the CBILS) but which do not have an investment grade credit rating (and are therefore ineligible for the government's COVID-19 commercial paper programme). The CLBIS will offer loans of up to £25m to firms with an annual turnover of between £45 million and £500 million and are also to be 80% guaranteed by the government.

Coronavirus Job Retention Scheme (CJRS)

The CJRS is a temporary scheme open to all UK employers for at least three months starting from 1 March 2020. It is designed to support employers whose operations have been severely affected by COVID-19.

Under the CJRS, employers will be able to ask their employees to stop working, while keeping them on their payroll; these individuals are described as "furloughed workers". To be eligible, furloughed workers will not be able to undertake any work for or on behalf of the employer organisation.

Employers must obtain written confirmation of the worker's agreement to be furloughed. This written confirmation should be kept for five years.

The government has now confirmed that the CJRS will support any individuals engaged through the PAYE system, regardless of whether they are employees or workers. This means workers who are paid through PAYE will be covered, including those on zero-hour contracts or other flexible contracts.

Under the scheme the government will pay (by way of cash grant to the employer) up to 80% of furloughed workers' usual gross monthly wages, up to a maximum of £2,500 a month, plus the associated Employer National Insurance contributions and minimum automatic enrolment employer pension contributions on that wage.

The CJRS is open to all UK employers that had commenced a PAYE payroll scheme on or before 28 February 2020.

How to claim

The online portal service that must be used to submit a claim is now live.

To claim, employers will need:

- Their ePAYE reference number
- The number of employees or workers being furloughed
- The claim period (start and end date)
- Amount claimed (the minimum length of furloughing is 3 weeks)
- The bank account number and sort code for the business
- A contact name
- A phone number

See more details on [who can claim and the information required to make a claim](#)

Deferral of VAT payments due to COVID-19

The government has announced temporary changes to VAT payments due between 20 March 2020 and 30 June 2020 to help businesses manage their cash flow during the COVID-19 outbreak.

All UK VAT registered businesses with a VAT payment due between 20 March 2020 and 30 June 2020 have the option to defer the payment until a later date. HMRC will not charge interest or penalties on any amount deferred as a result of this announcement.

How to claim

Businesses choosing to defer VAT payments as a result of COVID-19 do not need to tell HMRC that they are doing so. Businesses must, however, pay the VAT due on or before 31 March 2021.

See more information on [VAT deferral visit](#)

Additional HMRC support

All businesses with outstanding tax liabilities may be eligible to receive support with their tax affairs through HMRC's Time To Pay service. These arrangements are agreed on a case-by-case basis and are tailored to individual circumstances and liabilities.

HMRC have launched a new dedicated COVID-19 helpline and web chat service to advise those who are unable to pay their tax bills due to COVID-19 and explore the following options:

- Agreeing an instalment arrangement
- Suspending debt collection proceedings
- Cancelling penalties and interest where COVID-19 has caused administrative difficulties contacting or paying HMRC

How to claim

Businesses are advised to use HMRC's dedicated COVID-19 [webchat](#) service as a first port of call as it is anticipated the telephone helpline (0800 024 1222) will be extremely busy.

<https://www.gov.uk/difficulties-paying-hmrc>

Changes to the UK insolvency regime

The government has announced key changes to the UK insolvency regime to mitigate the impact of COVID-19 on companies:

1. There will be a temporary suspension, to apply retrospectively from 1 March 2020, of the law on wrongful trading in order to remove the threat of personal liability for company directors during the COVID-19 outbreak. The suspension will last for a period of three months initially but may be extended; and
2. New legislation to be enacted to create the 'new restructuring plan and moratorium' which will include (i) measures to prevent creditors taking enforcement action against a company while that company seeks a rescue, (ii) measures to enable companies to access supplies they need to continue trading during a moratorium and (iii) an ability to bind unwilling stakeholders to a new restructuring plan.

Further details on the changes to be implemented are expected over the coming days and weeks.

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