

Managing cash in a time of crisis

Some actions you can take to help your business

We have all been through a crisis and/or recession but we currently find ourselves in unprecedented times.

This is something different. For businesses large and small, their ability to operate has frozen. For many, financial issues will accumulate very rapidly.

The rules are changing on a daily basis and the changes are impacting businesses large and small and across all sectors. No business will be immune to this and the truly global nature also means that it may take some time to unwind, and economic forecasters are suggesting a deep and “U” shaped global recession.

However, some of the lessons learned in prior recessions are as valid today as they were ten or twenty years ago.

These are some measures we recommend that all businesses consider, and do so rapidly.

1

If you can form a crisis management team within the business to share the burden of leading through what is hoped will be a short lived disruption, then do.

2

Keep an eye on developing events at regular intervals. The Government is applying restrictions which will impact your business, (and also financial help) rapidly and the landscape is changing on a daily basis.

3

Ensure your crisis management team meet regularly, possibly daily. Then update your staff about changes affecting your business in a manner which is appropriate without being sensationalist.

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Form a plan around cashflow:

- a. Build as accurate a cashflow forecast as you can, based on expected sales and historic trading. It should map out as accurately as possible what the known cash outflows from your business are in the next 3 months, and then 6 months, then 12 months.
- b. If you are a business which is operational and is able to continue trading, but the staff are working from home, forecast sales at a reduced level, and cash collection in an extended time period.
- c. How long does that cashflow forecast suggest you have headroom without running out of cash? Our view at the moment that at least 6 months headroom is probably required as a minimum, but 12 months would be preferable.
- d. Revisit your model frequently.

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What if your forecast headroom doesn't extend to 6 months? What can you do? Prioritise creating liquidity through the following:

- a. Approach your bank. Your bank knows your business better than anyone else, and is most likely to be able to move fast.
- b. Identify if your bank is in the "partners" for the [Coronavirus Business Interruption Loan Scheme \(CBILS\)](#)? This is the Government funded loan scheme for SMEs whereby the Government will support loans of up to £5m with an 80% guarantee.
- c. Get any identified funding requirement negotiated and agreed as quickly as possible. If you identify that, for example, your cash headroom runs out in 5 months, don't wait until 5 months time to approach the CBILS.
- d. Pay for the support you need to get this done. If you need cashflow forecasts or business plans, the benefit of having these prepared rapidly so that the funding process is fast and effective will outweigh the cost of getting the work done.

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Ask HMRC for help. There are two key aspects to this.

1. Does HMRC owe you money – or could they if you work fast?
 - i. Do you normally do R&D claims? If so, if there is a year, or two years, outstanding where claims can be done – then get them done! You'll need signed accounts, so you may want to accelerate accounts production or audit processes.
 - ii. Shortening your year end might assist you here if you have (for example) a September year end at the moment and moving to a March year end would enable you to do a claim to 31 March 2020.
 - iii. Use the same rationale for, for example, Creative Sector Tax Reliefs.
 - iv. Also, the same applies to Capital Allowances claims.
 - v. Are you incurring losses now, having previously been profitable? Can you do a loss carry back claim to extinguish last years tax liability? Will that enable you to get cash back simply by notifying HMRC that you are now going to have to do a loss carry back claim? (You'll need support for this, e.g. management accounts showing losses etc.)
 - vi. Remember, the loss relief rules for companies are more flexible after April 2017. Make sure that any losses are being thought about in respect of any instalment payments you might have already made.
 - vii. Consider VAT opportunities
2. Do you owe HMRC money? If so, then you should be looking towards the "Coronavirus" Tax Helpline which is here: <https://www.gov.uk/government/news/tax-helpline-to-support-businesses-affected-by-coronavirus-covid-19>
 - i. They are very busy – so expect to be on hold. If you need to be running your business, you may want your tax agent to deal with this for you.
 - ii. You will need the tax reference number for the business you want to speak to them about.
 - iii. The initial aspects are automated, then you'll sit in a queue for an adviser.
 - iv. Be prepared to answer:
 1. What tax is it you want to defer (PAYE, VAT, Corporate Tax, Income tax)? Is it a global deferral application for a range of those?
 2. What taxes are you overdue with? If none, then you'll need to wait until you become overdue to trigger the process.
 3. The questions you should be prepared to answer:
 - a. What is overdue and from when?
 - b. What headroom do you have?
 - c. What other sources of funding do you have (e.g. do you have an unused overdraft?)
 - d. How many people do you employ?
 4. Then, a key question for you to think about – what time period do you need?
 5. The Time to Pay process is here: <https://www.gov.uk/difficulties-paying-hmrc/your-payment-isnt-due-yet>. At present, HMRC are sticking to their guidance and aren't volunteering substantial deferral but further measures or assistance may become available as the Government is asked to provide more business support.
 - v. Even if you have a Time to Pay arrangement in place, you need to keep filing your tax returns on time. If you don't, you will incur penalties and you will also eventually end up with HMRC's Debt Management unit who will seek to force collection. So even if you can't pay the tax due, it is typically much better for the business that you keep on filing the returns showing what is due.

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Get appropriate help from your accountant:

- a. You might need a range of cashflow scenarios to be sure that you aren't being too optimistic.
- b. You can't do a R&D claim without accounts, so you might need to get your accounts finished rapidly
- c. You might need forecasts for either a bank or HMRC.
- d. Your tax adviser might be able to spot money that is owed to you by HMRC, easing the burden on your business substantially.
- e. Your tax adviser may be able to negotiate a better Time to Pay arrangement for you.

We will continue to update this document as new information becomes available.

In the meantime, if you have any questions or need some further guidance, please get in touch with your regular MHA Monahans representative or contact one of our local offices:



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