

COVID-19 LOCKDOWN RECOVERY PINCH POINTS: A TURNAROUND ROADMAP FOR SMEs

The Institute for Turnaround (The IFT) is the UK’s leading membership organisation for accredited turnaround experts. The IFT brings together independent professionals, bankers, investors and advisers to evolve the profession and respond to new challenges and trends.

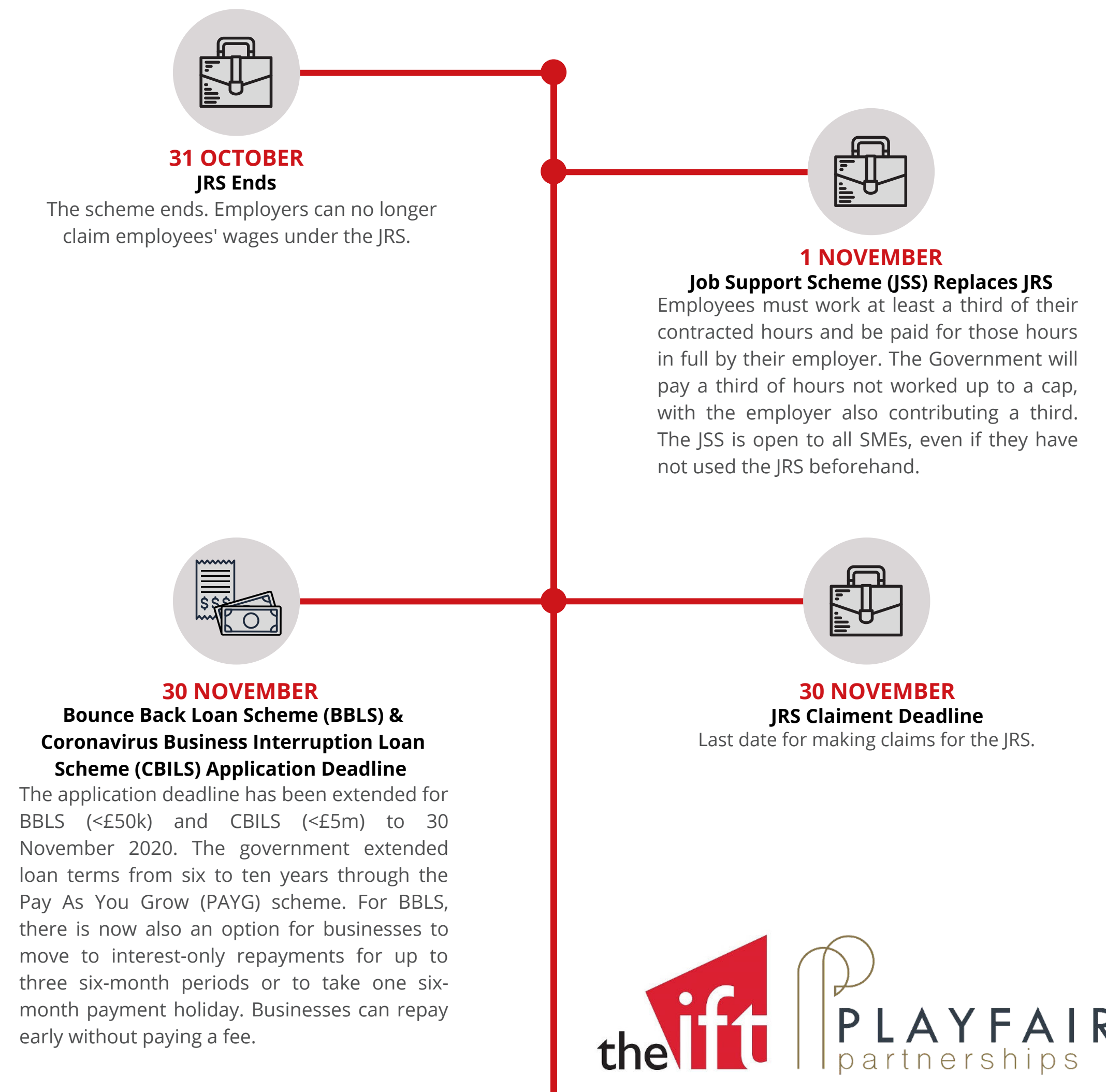
The IFT defines turnaround as the sustainable return to viability of an underperforming business or organisation. The skills of IFT members provide immediate viability and confidence to businesses and stakeholders, and are critical in **avoiding unnecessary insolvencies**. In 2019, it was estimated that IFT members and corporate partners saved more than **200,000 jobs** and **protected £2 billion in enterprise value**.

This roadmap shows the critical points ahead for SMEs recovering from COVID-19 lockdown. This roadmap provides a brief overview of each of the critical points. This roadmap was created in association with Playfair Partnerships, please contact John or Simon Playfair of Playfair Partnerships if you require any further assistance.

We advise that as a first step, businesses create a cash-flow forecast to at least March 2022. The longer forecast takes into consideration the repayment of all deferrals and recent government measures. **Since the easing of lockdown restrictions in June 2020, a number of measures impacting SMEs have already taken effect.** As of 30 June, VAT payments were expected as normal. VAT could be deferred from 20 March – 30 June 2020. From 1 July, a number of changes were introduced to the Job Retention Scheme (JRS). By 1 October, furloughed staff could be taken back on to work part-time and employers started paying 20% of furloughed staff wages in addition to National Insurance (NI) payments and pension contributions, meaning that employers could only claim 60% of furloughed wages through the JRS.

As of 30 September, provisions suspending wrongful trading were lifted. The provisions removed the threat of personal liability arising from wrongful trading for directors who continue to trade through the uncertain conditions created by the pandemic. Note that under the Corporate Insolvency and Governance Act (CIGA) 2020 the “suspension of liability” for wrongful trading may be extended further.

On 24 September, the Chancellor announced the extension of certain support measures in response to increasing cases of COVID-19 and the re-introduction of lockdown measures. Our key dates timeline below outlines the changes affecting SMEs. Further details are still emerging and information is correct as of 8 October but subject to change at short notice given further government announcements.





31 DECEMBER
Prohibition of Certain
Landlord Rights set to Expire

The Coronavirus Act 2020 prevented landlords of commercial premises exercising any right of forfeiture or re-entry for non-payment of rent until 31 December. Landlords of commercial premises can now exercise the commercial rent arrears recovery (CRAR) procedure to recover unpaid rent.



31 DECEMBER
Prohibition of Winding-up
Petitions set to Expire

Winding-up orders will be possible on a company even if their financial position has worsened as a consequence of COVID-19. The measures were initially due to expire on 30 September but were extended to 31 December by the CIGA 2020.

2021



31 JANUARY
Job Retention Bonus

For any previously furloughed worker who was brought back and is on the payroll at 31 January, the employer will be entitled to a grant of £1,000.



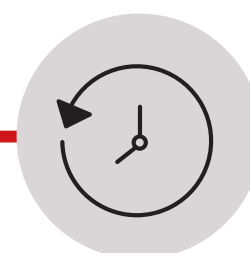
31 JANUARY
Self Assessment Deferral Extended

The 31 January 2021 deadline for paying taxes through self assessment has been extended to January 2022, giving an extra 12 months to pay. Those who have already deferred payments that were due in July to January 2020 will also have until January 2022. However, this is an online process and only applies for combined liabilities of up to £30,000 and expects regular monthly payments to be made by direct debit. Deferment of any larger amount needs to be negotiated individually with HMRC.



MARCH
12 month Cash-flow Forecast

March 2021 is 12 months from the start of the UK COVID-19 lockdown. We had advised businesses create a 12-18 month cash-flow forecast. These forecasts should now be updated to at least March 2022.



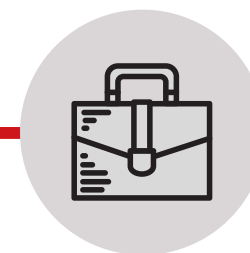
31 MARCH
Deferred VAT Payments Due

Any VAT payments that were deferred during the period of 20 March – 30 June 2020 can now be paid back in smaller payments over a longer period. Instead of paying the full amount by the end of March 2021, you can make smaller payments up to the end of March 2022, interest free.



6 APRIL
Business Rate Relief at 100% Ends

In response to the pandemic, the Business Rate Relief discount was increased to 100% and extended to include the leisure and hospitality sectors. Payments are now expected as normal.



30 APRIL
JSS Ends

The scheme ends. Employers can no longer claim employees' wages under the JSS.



4 MAY
BBLs Repayments

Businesses that took out a BBLs once the scheme opened on 4 May 2020 will now have to start repaying their loans. The PAYG scheme rules apply. Interest will now also be charged at 2.5% a year.