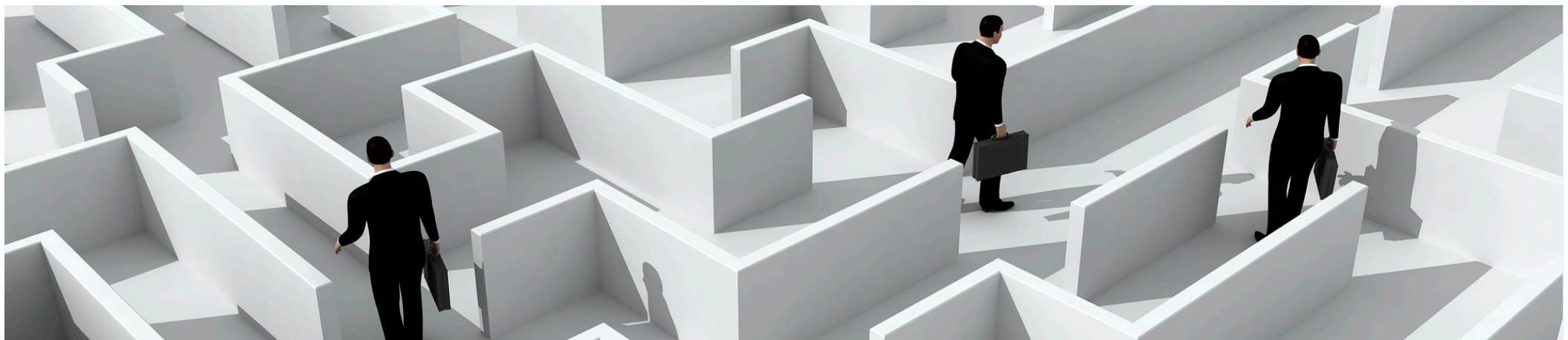
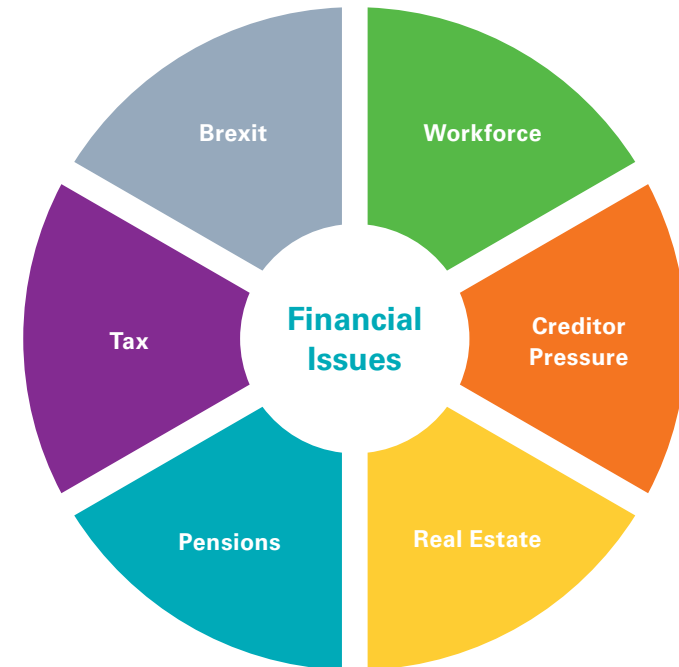


When support from the UK's Government and HMRC is scaled back and temporary measures to halt aggressive creditor action and support business recovery come to an end will businesses be ready and able to meet increased cash and credit requirements?

This financial health roadmap helps identify key dates that may impact cash flow in the coming months and should be considered (alongside the specific financial needs of the business) when planning.

It highlights when the measures put in place by the UK Government and HMRC will change and consequently when creditor pressure may increase, when a business will be required to fund ongoing operational costs that are currently supported by the UK Government or where payment is deferred for instance by HMRC.

This note is not intended to, and does not in fact, constitute legal advice. Should you require legal advice in relation to your specific circumstances, please do not hesitate to contact one of our team members, whose contact details are at the end of this note, who would be happy to assist you. Squire Patton Boggs (UK) LLP accepts no liability for any losses occasioned to any person by reason of any action or inaction as a result of the contents of this note.



Click on each date for more information



**Key**

Workforce	Real Estate	Tax
Creditor Pressure	Pensions	Brexit

## Roadmap Destinations

### October 2020

#### Government Contributions Under CJRS Reduce Further

- From 1 October 2020, contributions under the CJRS will reduce to 60% of wages up to a cap of £1,875 for the hours the employee is on furlough.
- Employers must top up employees' wages to ensure they receive at least 80% of their wages up to a cap of £2,500, for time they are furloughed.

#### CJRS Ends

- From 31 October, the CJRS will close. Employers will be responsible for 100% of wages, employer NIC and pension contributions, unless employers can utilise the new job support scheme (see further below).

#### Exemption From Import Duty and Import VAT on Medical Supplies and PPE Ends

- On 31 October 2020, the exemption from import duty and VAT on certain protective equipment, relevant medical devices or equipment brought into the UK from non-EU countries is due to come to an end.

#### Temporary VAT Zero Rate for Supplies of PPE Ends

- On 31 October 2020, the temporary VAT zero rate applying to supplies of certain specified items of PPE, which are recommended for use by Public Health England, is due to come to an end.

### November 2020

#### New Job Support Scheme Introduced

- The new Job Support Scheme will be introduced from 1 November 2020 to support viable jobs in businesses that are facing lower demand over the winter months due to coronavirus. The scheme will run for six months. All SMEs will be eligible to participate. Larger businesses will be required to demonstrate that they have been adversely impacted by COVID-19. Under the scheme, employees will need to work at least 33% of their usual hours for their role to be treated as "viable" for these purposes. The government will pay a third of hours not worked up to a cap, with the employer also contributing a third. See our [alert](#) for further details.

### December 2020

#### HMRC to Become a Secondary Preferential Creditor in the Event of an Insolvency

- From 1 December 2020, HMRC will become a secondary preferential creditor in respect of certain tax debts held by a business on behalf of its customers and employees for the distribution of assets in the event of insolvency. Given the impact on asset-based lenders and floating charge holders, this is likely to result in lenders amending, changing or tightening the terms of facilities and increasing reserves. Consequently, this will impact the cash available to a business and also its creditors, particularly those reliant on asset-based lending. Businesses should engage with lenders to understand how any changes will impact future cash requirements and availability.

#### Restrictions On Debt Collection and Creditor Action Lifted

- From 31 December 2020 the temporary restrictions on presenting a winding up petition for an unpaid debt (which apply where the reason for non-payment is COVID-19 related) end. In addition the temporary restrictions on presenting a winding up petition based on an unsatisfied statutory demand end.
- Unless arrangements have been made to pay unpaid suppliers, HMRC or landlords aggressive creditors may threaten or bring winding up proceedings.

NB: other enforcement action (court action/enforcement of retention of title) are not restricted.

#### Recovery Action for Non-Payment of Rent Can Commence

- From 31 December 2020, the temporary restrictions on landlords taking forfeiture proceedings ends and the temporary restrictions on pursuing Commercial Rent Arrears Recovery (CRAR) to recover unpaid rent ends.
- Unless rent has been paid or new arrangements to pay outstanding rent have been agreed, landlords will be able to take recovery action against tenants for unpaid rent. (See page 3 for changes to debt collection).

#### Brexit

- The UK will leave the EU single market, Customs Union, and VAT and excise duty area on 31 December 2020. From 1 January 2021, the UK will operate its own external border as a sovereign nation.

## January 2021

### Stage One of UK Border Operating Model Takes Effect

- From 1 January 2021, businesses importing standard goods will need to operate basic customs requirements, account for and pay import VAT on imported goods. Other than for certain controlled goods, customs declarations will not be due for six months. Customs duties on imports will be payable but it will be possible to defer payments until the accompanying customs declaration is made. Export and safety and security declarations will be required for all goods.

### Income Tax: Deferral of Self-assessment Payments on Account to Be Paid in Full

- On or before 31 January 2021 any income tax self-assessment payment on account, due to be paid to HMRC in July 2020, that have been deferred, is due to be paid in full (either as one payment or in instalments).
- In his Winter Economy Plan, the Chancellor of the Exchequer announced that self-employed taxpayers who exercised the option to defer their second payment on account will, subject to agreeing a payment schedule with HMRC's self-service Enhanced Time to Pay facility, be allowed to pay the tax due over an additional 12-month period, with deferred amounts not due to be paid in full until the end of January 2021. No interest or penalties will be levied on the "late" payments.
- Subject to a further Time to Pay agreement, any balancing payment due for the 2019 to 2020 tax year, plus the first payment on account due for the 2020 to 2021 tax year, will still be due and payable on 31 January 2021.

### The Pensions Regulator (TPR) Extends the Easement for Reporting the Late Payment of Money Purchase Pension Contributions

- In response to the pandemic, TPR had granted an easement extending the period for reporting the late payment of money purchase pension contributions. The period was extended from no later than 90 days after the due day to 150 days. From 1 January 2021, TPR asks trustees and pension providers to report the late payment of money purchase contributions no later than 90 days after the due date. However, reverting to 90 days does not become mandatory until 1 April 2021 (TPR says that this is to provide for adjustments to systems and processes).

## February 2021

### Job Retention Bonus Will Be Made

- The government will make a one-off payment of £1,000 to UK employers for every furloughed employee who remains continuously employed through to the end of January 2021. Employers must have paid at least £1,560 (gross) to the relevant employee between 6 November 2020 and 5 February 2021. Bonus claims must be presented between 15 February and 31 March 2021.

## March 2021

### Spring Budget 2021

- The Autumn Budget 2020 was postponed. A budget will have to take place before the end of March 2021.

### Payment of VAT on Deferrals between 20 March and 30 June 2020 Due

- On or before 31 March 2021, any VAT payments that were deferred between 20 March and 30 June 2020 will be due.
- The Winter Economy Plan introduced a VAT Deferral New Payment Scheme that, subject to them opting in to the scheme, will allow affected business to spread the payment of unpaid deferred VAT due over 11 equal instalments through the financial year 2021-2022. No interest or penalties will be levied on the "late" payments.
- Any cancelled Direct Debits should be re-established in good time for HMRC to process payment(s). Businesses spreading the repayment of deferred VAT should check their payment arrangements are appropriate for the VAT Deferral New Payment Scheme. VAT returns should be submitted as normal and on time. Any VAT due since 30 June 2020 should also be being paid as normal and on time in the normal way.



## April 2021

### VAT Rate Reduction for Hospitality, Leisure and Accommodation Expires

- From 1 April 2021, those businesses in the hospitality, leisure and accommodation sectors that have been supplying food, non-alcoholic drinks, hotel and holiday accommodation or admission to certain attractions at the reduced rate (5%) of VAT, should ensure they have systems in place to reapply the standard rate (20%) of VAT for supplies made on and after that date and account for any VAT due accordingly. The Winter Economy Plan extended the period during which the reduced rate applies to 31 March 2021. Businesses utilising the Flat Rate Scheme, the Tour Operators Margin Scheme or any other applicable special retail scheme should consider the impact of the reduced rate, and subsequent reversal, on their VAT calculations and accounting.

### Stage Two of UK Border Operating Model Takes Effect

- From 1 April 2021, imports of products of animal origin (POAO) and other regulated plants and plant products will require pre-notification and the relevant health documentation.

### Business Rates Relief Ends

- From 1 April 2021, certain businesses in the retail, hospitality and leisure sectors in England will have to pay business rates for the 2021 to 2022 tax year as normal. Similar relief provisions in Scotland, Wales and Northern Ireland are also due to end. The next business rates revaluation in England, which had been due to take place in 2021, has been postponed. However, affected businesses should also note that the government is consulting on a fundamental review of business rates which could result in significant changes being made to the system in the medium-to-long term.

### TPR Reverts to the 90-day Period for Reporting the Late Payment of Money Purchase Pension Contributions

- From 1 April 2021, reporting the late payment of pension contributions to a money purchase scheme must be made no later than 90 days after the due date, rather than 150 days.

### Job Support Scheme Ends

- The Job Support Scheme will close at the end of April 2021.

## July 2021

### Full Application of UK Border Operating Model Takes Effect

- From 1 July 2021, businesses importing any goods will have to make full customs, safety and security declarations at the point of importation and pay all relevant taxes and duties.

### Road Map

## Other Cost Considerations

### Redundancy Costs

- As the UK economy re-starts it will become apparent whether the business can support the continued employment of all of its staff. For a time, businesses can rely on the support offered by the UK Government under the CJRS or new job support scheme but as that reduces and businesses have to resume responsibility for paying wages and associated employment costs it might be appropriate, in some circumstances, to consider whether staff should be made redundant. Proper advice should be sought and if redundancies are unavoidable the costs will need to be factored into cash flow.

### Deferred Payments or Forbearance

- If a business has agreed to defer repayment, adjusted payment terms or agreed a period of forbearance with its creditors the terms of deferral, repayment or forbearance should be reviewed, re-negotiated if appropriate and factored into future cash flow requirements – including any agreement with the company's lenders, suppliers, landlord or time to pay agreements with HMRC.

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