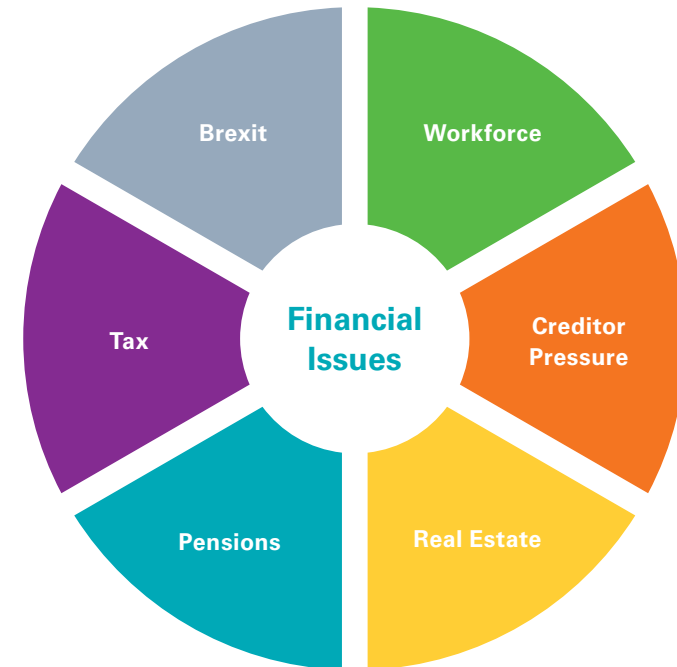


When support from the UK's Government and HMRC is scaled back and temporary measures to halt aggressive creditor action and support business recovery come to an end will businesses be ready and able to meet increased cash and credit requirements?

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

### June 2020

#### VAT Due

- VAT payments due after 30 June must be paid in full and on time.

### July 2020

#### Employers to Pay Full Wages For Part-time Employees

- From 1 July employers can bring furloughed employees back to work on a part-time basis but the employer has to pay the employees their normal pay for the hours they work.
- Employers can still claim under the Coronavirus Job Retention Scheme ('CJRS') for the hours not worked.

### August 2020

#### Employer to Pay NIC and Pension Contributions

- From 1 August 2020 Employers have to pay employer National Insurance Contributions (NIC) and pension contributions for all furloughed employees.
- Employers can still claim 80% of the wages up to a cap of £2,500 under the CJRS for furloughed employees

### September 2020

#### Government Contributions Under CJRS Reduce

- From 1 September 2020 contributions under the CJRS will reduce to 70% of wages up to a cap of £2,187.50 for the hours the employee is on furlough.
- Employers must top up employees' wages to ensure they receive 80% of their wages up to a cap of £2,500, for time they are furloughed.

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

- From 30 September 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 below for changes to debt collection).

### September 2020

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

- From 30 September 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)

#### Changes to Available Business Protection

- From 30 September 2020 the temporary provisions relaxing the criteria for a company to obtain a moratorium under UK Insolvency Law, and therefore breathing space from creditor pressure, come to an end.
- A business experiencing cash flow pressure should consider taking advice on whether it would benefit the company and its creditors to obtain a moratorium or other business support.

#### Pension Costs and Contributions Required

- From 30 September 2020, employers who wish to reduce pension contributions to the statutory minimum for furloughed staff will need to undertake the usual pensions consultation process, as the easement relating to consultation will end. Failure to consult could incur a fine of up to £50,000.
- Employers should be aware that from the end of September, if they do not pay over pension contributions to a defined contribution scheme within 90 days of the relevant date, the pension provider/pension trustees will be required to notify The Pensions Regulator of the late payment. The easement extending this period to 150 days will end.

### 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.

## October 2020

### Budget October 2020

- Autumn Budget Statement Due – Date TBC

### CJRS Ends

- From 31 October, the CJRS will close. Employers will be responsible for 100% of wages, employer NIC and pension contributions.

## 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 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.

### Brexit

- On 31 December 2020 the transition period for leaving the EU will end. For UK businesses trading with EU countries and companies this may impact the costs and availability of goods and create supply chain issues.

## January 2021

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

- From 12 January 2021, those businesses in the hospitality, leisure and accommodation sectors, that have been supplying food and non-alcoholic drinks and/or accommodation and admission to attractions, at the reduced rate (5%) of VAT should ensure they have systems in place to apply the standard rate (20%) for supplies made on and after 13 January 2021 and account accordingly.

### Income Tax (Payments On Account) To Be Paid In Full

- From 31 January 2020 any income tax payments on account, due to be paid to HMRC on 31 July 2020, that have been deferred, must be paid in full on or before 31 January 2021 (as one payment or in instalments).

## 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. Employees must earn above the Lower Earnings Limit (£520 per month) on average between the end of the CJRS and the end of January 2021. Payments will be made from February 2021.

## March 2021

### Budget March 2021

- Spring Budget Statement Due – Date TBC

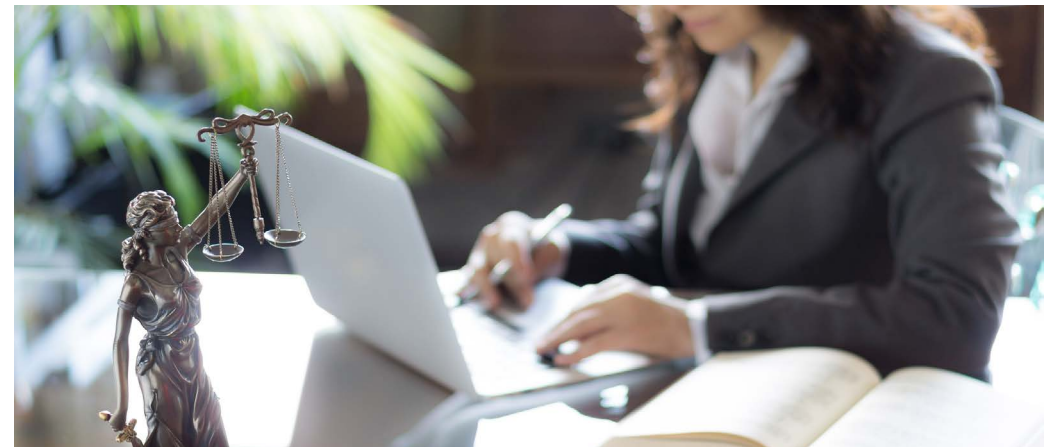
### Payment of VAT on Deferrals between 20 March and 30 June 2020 Due

- VAT payments deferred between 20 March and 30 June 2020, must be paid in full on or before 31 March 2021.

## April 2021

### Payment of Business Rates

- From 1 April 2021, 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. However, the next business rates revaluation, which had been due to take place in 2021, has been postponed.



## 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 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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### Road Map