

# COVID-19 UK Government supported financing, tax and liquidity options

22 March 2020



**The COVID-19 outbreak has been declared a pandemic by the World Health Organization, causing huge impact on people's lives, families and communities.**

As the international response continues to develop, we know that organisations are facing potentially significant challenges to which they need to respond rapidly.

We are working closely with organisations globally to help them to prepare and respond, by sharing our experience in working with companies, governments, regulators, NGOs and international organisations.

Here, we look at the significant UK government backed measures that have been introduced to provide funding and other support to businesses.

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# Overview of Government initiatives

A number of government initiatives have been put in place to support SMEs and large corporates who have been impacted by COVID-19.

## Significant government backed measures have been introduced to provide funding and other support to businesses:

- The UK government has introduced a raft of initiatives aiming to help companies through this difficult period.
- The measures can be split broadly into two categories:
  - Funding based initiatives which aim to bolster cashflow and liquidity position in the short to medium term; and
  - Tax or grant based initiatives which aim to alleviate cost pressure and preserve cash.

While there is initial guidance on a number of these measures, given the rapidly evolving market backdrop the details on how they will work in practice are still in flux.

This document looks to provide companies with an overview of the various government backed initiatives which are available, as well as some practical guidance on how to assess and access the funding support needed to navigate through this challenging period.

## Funding focused initiatives

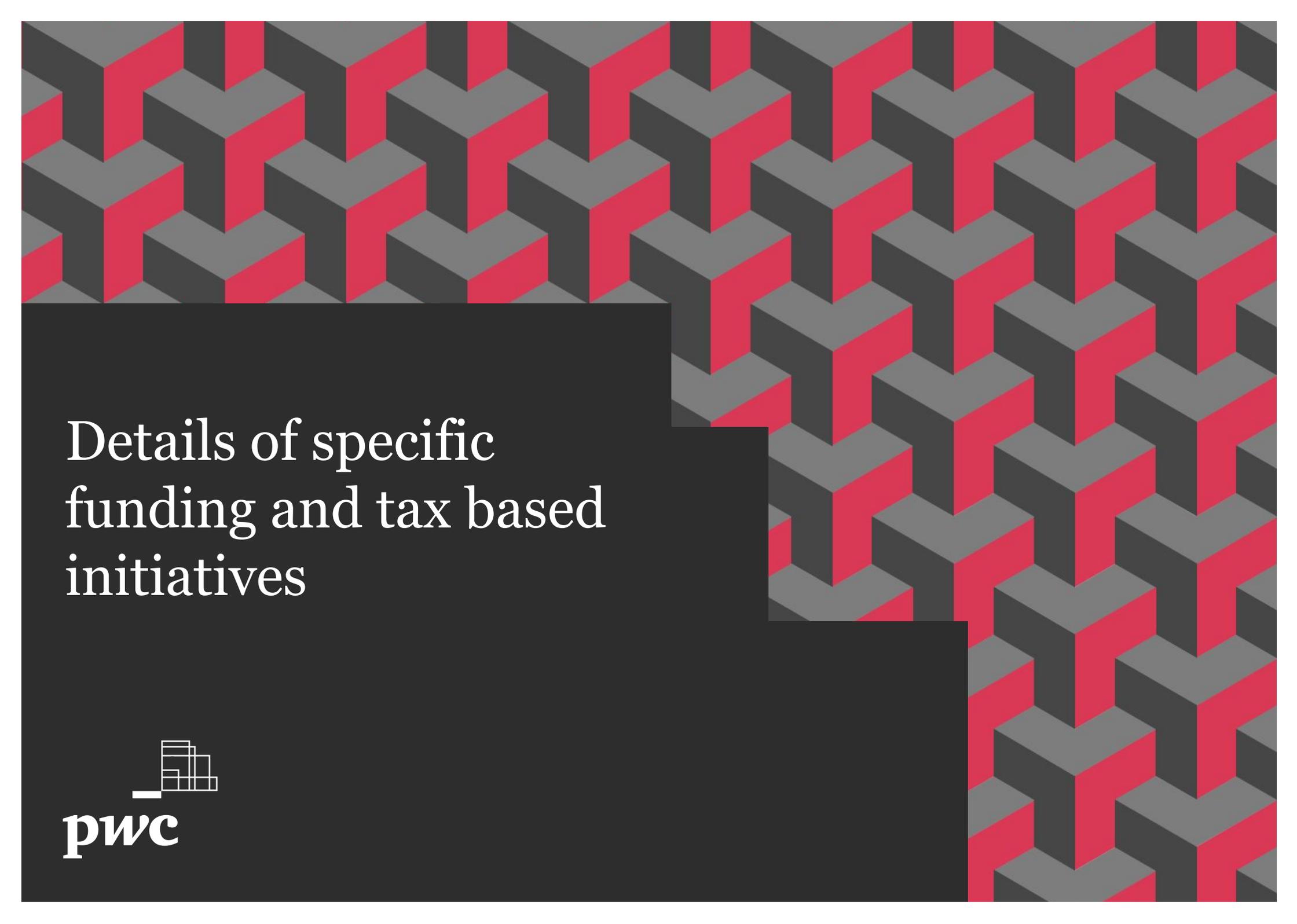
The government has committed to providing a significant funding package to support UK businesses. There are two main funding initiatives available to companies depending on their size:

- **COVID-19 Corporate Financing Facility (“CCFF”)**: aimed at larger corporates who are strong credits (investment grade) but experiencing liquidity pressures due to the impact of COVID-19. The CCFF will allow large corporates to access short term financing through issuing Commercial Paper (“CP”). The fund will be managed and administered by the Bank of England (“BoE”) on behalf of HM Treasury
- **Coronavirus Business Interruption Loan Scheme (“CBILS”)**: building upon infrastructure which is in place for an existing scheme, this fund is available to SMEs and looks to provide a range of financing support over the short to medium term. It will be administered by the British Business Bank, with funding provided by a range of lenders who will benefit from a government guarantee

## Tax based and other initiatives

- VAT deferrals and Time to Pay support
- Business rate reductions or holidays
- Employer grants to pay salaries and refund of Statutory Sick Pay
- Additional support for specific sectors
- Cash grants for small businesses
- Business interruption insurance

**More information on COVID-19 UK measures [on our website.](#)**



# Details of specific funding and tax based initiatives



# Covid Corporate Financing Facility (CCFF)

Aimed at supporting the liquidity of larger corporates by allowing them to raise short term financing through issuing commercial paper which will be purchased by the Bank of England. See how we can help you access this on pages 12 and 13

## Overview of the scheme

The CCFF will provide short term funding to non-financial businesses by purchasing Commercial Paper. The aim is to support businesses which were fundamentally sound pre COVID-19. Funded through the Bank of England (“BoE”) so as to free up resources in the banking system for SMEs (who rely most on banks). The scheme will operate for at least 12 months and the BoE has committed to providing 6 months notice before it withdraws the facility.

### Key characteristics

- **Financing type:** short term Commercial Paper
- **Loan amounts:** Minimum size £1m; maximum TBC by BoE
- **Finance tenor:** one week to 12 months. Drawings can be rolled over
- **Pricing:** financing on “comparable terms to those prevailing in the market pre COVID-19”. A spread on the sterling Overnight Index Swap (“OIS”) curve
- **Other:** focus of scheme is to provide funding to pay wages, suppliers, or a boost to cashflows.

## Key eligibility criteria

Full eligibility criteria are yet to be published but initial guidance includes:

- Companies who make “a material contribution to the UK economy”
- No requirement to have previously issued Commercial Paper
- Looks at companies’ credit rating pre COVID-19 to assess eligibility
- Short term rating which was Investment Grade **as at 1 March 2020** (minimum level of A-3/P-3/F-3, equivalent to BBB L.T. rating). Companies which were on the lowest rating and on negative watch/outlook will still be considered. If subsequently downgraded (i.e. post 1 March), company will still be eligible
- If split rating below the minimum then companies are not eligible
- If no S-T credit rating BoE may make an assessment based on L-T rating, or if the Bank can assess an equivalent long-term assessment of credit strength.

## Process for applying to participate in the Fund

- The Fund will be administered by the BoE on behalf of HM Treasury who will indemnify the Bank’s risk
- Participating companies need to complete an application form on [BoE website](#). Further details to be published on BoE website **on 23 March 2020**
- Companies who do not currently issue CPs need to meet certain eligible security criteria:
  - Sterling denominated CPs with maturity of 1 week to 12 months
  - Minimum credit rating requirement
  - CPs issued directly into Euroclear/Clearstream.

## Process for issuing CPs to the Fund

- Submission of offers to sell CP to the Fund by phone to the Bank’s Sterling dealing desk between 10am and 11am
- Issuers must provide details of issuing entity, nominal and maturity
- The Bank’s dealers will confirm over the phone or otherwise if an offer is accepted, the cash amount and maturity
- The Bank will purchase CPs of a particular issue from one dealer only each day.

## Key considerations for potential issuers

- Am I eligible to participate and is CP the right solution for my business need?
- How do I demonstrate my credit strength?
- How long will it take to be approved to participate?
- Are there limits on what the proceeds may be used for?
- What does my treasury team need to set up and administer the CP programme?

# Coronavirus Business Interruption Loan Scheme (CBILS)

Aimed at supporting SMEs with turnover of up to £45m, the scheme covers a range of financing products and guarantees facilities up to £5m.

## Overview of scheme

Temporarily replaces the Enterprise Finance Guarantee (“EFG”) scheme which is already operational. The aim is to support SMEs, who may have limited or insufficient security, to raise additional financing.

## Key characteristics

- **Financing type:** term loans, asset finance, working capital facilities (RCF, invoice discounting, supply chain financing, overdrafts)
- **Facility amounts:** £1,000 to £5m
- **Finance tenor:** from 3 months to up to ten years for term loans and asset finance
- **Pricing:** Interest free for first 12 months (covered by government)
- **Other:** Government provides a guarantee to the lender for 80% of facility value (but companies remain liable for capital repayment).

## Process for applying

- Set to be up and running from **23 March 2020**
- Borrowers can approach one of 40 accredited lenders with a lending proposal. The accredited lenders are a mix of high street banks and smaller specialist lenders (e.g. invoice discounting, asset based lending)
- Applies to a number of lending products
- If the lender can provide finance on normal commercial terms, they will do so
- If not, the lender will decide whether the business can be supported by CBILS and seek to use the scheme to alter a negative credit decision
- Will operate in a similar way to EFG with a guarantee and 12 months of interest payments provided to the lender by the British Business Bank
- The borrower will remain liable for the borrowing at all times
- Further details on fuller application process are TBC by Government.

## Key eligibility criteria

Full eligibility criteria is yet to be published but initial guidance on borrower criteria include:

- Turnover of no more than £45m per annum
- Operate within an eligible industrial sector (see [link](#) for details on sectors which are *ineligible or subject to restrictions*)
- ‘Sound borrowing proposal’ but lacking sufficient security to meet lender requirements
- Not received de minimis state aid beyond €200,000 equivalent over the current and previous two fiscal years.

## Key considerations for potential borrowers

### 1. Assessing your funding need:

- How much money do I need and for how long?
- Is borrowing through the scheme the best route for me to take?
- What collateral do I have available as security? What will a lender look at? Do I have a ‘sound borrowing proposal’?
- What is the most appropriate type of financing?

### 2. Engaging with the process

- Which and how many lenders do I approach?
- What information will I need and what will I need to have considered?
- How long does the process take from application to receiving funds?
- How do I maximise the chance of a successful application?

# HMRC focused initiatives - tax deferrals and rates holidays

HMRC is offering flexible solutions to help business in the face of disruption caused by COVID-19.

## Some potential considerations:

- Companies should still approach their CCM where they have one in the first instance as CCM's have been instructed to work with taxpayers.
- Time To Pay is to assist with challenges around liquidity but HMRC will want to see that other options have been considered and will request evidence of this
- Important that any requests to the HMRC do not come across as alarmist so that they do not act quickly to protect their position ahead of insolvency
- Given the nature of the COVID-19 impact in the UK, HMRC are likely to be more helpful now than they might otherwise have been but are not offering formal guidance
- The usual information requirements for the HMRC to consider adoption of the Time To Pay regime will be relaxed but there will be a review process of historic tax payments and compliance
- Keep evidence where possible of any agreements made including notes of calls.

## Time To Pay

- VAT deferral - the next VAT quarter payments from 20 March 2020 until the end of June will be deferred and businesses will have until the end of the financial year to repay.
- All businesses and self employed people in distress with outstanding tax liabilities may be eligible for support with outstanding tax liabilities including PAYE
- A dedicated helpline has been set up by HMRC through which arrangements will be tailored to specific circumstances on a case by case basis
- Companies should approach their CRM in the first instance where possible but the COVID-19 helpline number is: 0800 0159 559

## Business Rates reduction

- Full rates relief for all companies (not just SMEs) in the retail, hospitality and leisure sectors - companies will benefit from a 12 month business rate holiday irrespective of rateable value
- A £5,000 business rates discount was announced last week for pubs with a rateable value below £100,000 to apply in England for one year from 1 April 2020
- Cash grants for retail, hospitality and leisure businesses: A £25,000 grant will be provided to retail, hospitality and leisure businesses operating from smaller premises, with a rateable value between £15,000 and £51,000.

## International measures

- There are a number of reliefs and measures which are being put forward by global governments in response to the pandemic - businesses should review this for each of the territories they operate in to ensure they maximise support and reliefs.

# HMRC focused initiatives - employer grants and refunds

HMRC is offering flexible solutions to help business in the face of disruption caused by COVID-19.

## Coronavirus Job Retention Scheme

- The Government hopes that this welcome development, along with the deferral of the next quarter of VAT payments until the end of the financial year and the fact that the Business Interruption loans will be interest free for 12 months means employers are being encouraged to consider carefully the support available to them before cutting jobs.

## Other measures to help individuals

- The standard rate in Universal credit and Tax Credits will be increased by £20 a week for one year from April 6th, meaning claimants will be up to £1040 better off.
- Nearly £1bn of additional support for renters, through increases in the generosity of housing benefit and Universal Credit. From April, Local Housing Allowance rates will pay for at least 30% of market rents in each area.

## Coronavirus Job Retention Scheme

- On 20 March 2020, the Chancellor announced that the Government is going to cover up to 80% of the current wage level of an employee who is designated as a “furloughed” worker, due to the Coronavirus pandemic, provided they are kept on the employer’s payroll.
- There will be a ceiling of £2,500 a month on salaries to which this applies.
- Employers can still top up salaries above this level if they choose to.
- In an unprecedented move, the new Coronavirus Job Retention Scheme will apply to all employers, and will be backdated for those who have been unable to work since 1st March 2020.
- The Scheme is expected to last for at least 3 months, will likely be extended, and is part of the Government's measures to protect jobs at the present time. We await much of the detail of how this Scheme will work in practice.
- HMRC will be setting up an online portal on which employers will submit information about the employees that have been furloughed and their earnings and other details which are still to be confirmed. HMRC hopes to be able to make the first grants under the Coronavirus Job Retention Scheme within weeks and they are aiming to have the portal up and running before the end of April. In the meantime it is encouraging those who may face short term cash flow problems to consider if they qualify for a Coronavirus Business Interruption Loan.

## Refund of Statutory Sick Pay

- Eligible employees will be eligible for SSP from day 1 instead of day 4
- Businesses can reclaim SSP paid to employees for up to 2 weeks sickness absence due to COVID-19
- Eligible for small and medium-sized businesses and employers with a workforce of <250 employees.

## Payroll initiatives

- IR35 will be delayed until April 2021 to help businesses and contractors.

# Other ad-hoc initiatives

The Government has also introduced a number of non financing or tax related initiatives to support companies who are among the hardest hit by COVID-19.

## Sector specific initiatives

The Government has announced specific measures to support sectors which have been particularly impacted by COVID-19 such as Aviation and Retail, Hospitality and Leisure

### Airline and airports

- Support package specifically for airlines and airports is also under discussion with the Department for Transport but details are yet to be released.



### Retail, hospitality and leisure company cash grants

- Companies that pay business rates with a rateable value of between £15k and £51k can benefit from £25k cash grant from Local Authorities.



## Other initiatives

Depending on your business size and situation you may be able to apply for additional support in the form of cash grants or make business interruption insurance claims

### SME cash grants

- Local authority grants to help SMEs
- These are in the form of a one off £10,000 grant
- The grants are available to SMEs that already qualify for Small Business Rate Relief (SBBR).



### Interruption insurance

- Government has confirmed that its advice is sufficient for businesses to claim on their insurance where they have the appropriate interruption cover for pandemics.





Practical considerations  
and how we can help you



# Practical considerations for businesses

Assessing your available options and acting quickly to apply for and access the additional liquidity and cash boosts these routes offer will be critical.

## What options are available and most appropriate?

- Which of the available funding options and initiatives am I eligible for?
- Which am I most likely to be successful in accessing?
- Which would be most appropriate for my needs now? And in 6 months?
- Should I focus on the initiatives which can be accessed quickest or which will give me the most liquidity/flexibility?
- Are government schemes the best and only options available to you?

## What is the process to access the support and what information is required?

- How do I apply for each of the measures and how long before I receive the cash or liquidity boost?
- How can I best focus my time and resources?
- Do I have the relevant information readily available or do I need to create it? Does my team have the capacity and skills to execute?

## How can we help you?

- PwC has a market leading team which specialises in helping clients to stabilise and manage their cash and liquidity position. Irrespective of whether you are eligible for one of the Government backed schemes, we can support you to manage your cash position.
- With regard to the COVID-19 measures announced by the Government, PwC has a well resourced and highly experienced team who can drive the process on your behalf, allowing management to remain focused on running day-to-day operations during this crucial period for your business.
- Our team comprises:
  - **Debt advisory and restructuring experts** that can support you with applications under the CBILS or CCFF schemes.
  - **Tax experts** to advise you on HMRC applications such as Time to Pay, significantly enhancing the likelihood of a successful application. They can also help you with applying for the other measures mentioned above together with other tax related options for cash preservation as set out on the next page.



# CCFF: We are ready to help you...

The Bank of England has now published further details of how the Covid Corporate Financing Facility (CCFF) will work.

Accessing this fund could be vital to survival during a period of unprecedented stress in the economy.

PwC has brought together a multi-disciplinary team of specialists, set up to work remotely and at pace, to support businesses with their application for funds.



### Deep experience

Providing knowledge and experience from similar work with HMG to smooth your application process.



### Specialists on hand

Putting our modelling and accounting specialists alongside your people, as and when you need.



### An effective, scalable remote service

Assuming the burden of managing your application in a challenging working environment.

## ...to apply a proven approach:

We will rapidly mobilise to support you using proven, cutting edge data and modelling technology with effective and collaborative ways of remote working. We will manage your application systematically, keeping you engaged and informed throughout.

### Drive and Support

Setting the tone and pace of your application, coordinating activity, controlling your data, supporting and enabling complex communications / interactions - all in a challenging environment (and mainly through remote working).

### Determine

Helping you establish and understand your applicability for the Scheme.

### Assess

Data gathering, modelling and scenario development leading to the application submission.

### Submit

Helping you to manage the governance you need around the submission including board papers, Investor and regulatory communications.

### Manage

Support you in monitoring ongoing business performance using the model we co-develop.

## We have done this before

*In Autumn 2018, a Government department faced a problem of lack of capacity in the 'customs intermediary' sector - demand increased significantly as a result of EU Exit. The government decided to issue grants to eligible companies to subsidise the cost of training, IT and recruitment in the sector and PwC have been instrumental in the management of this process. PwC was mobilised rapidly and around 3000 applications have been processed since the scheme opened, helping boost capacity in the sector significantly. It is currently set to run, with our support, to April 2021.*

# CCFF: How we will help you...

<p><b>Drive and Support</b> Effective, scalable application management</p>	<p><b>Modelling the COVID-19 scenarios alongside your financial performance</b> Detailed, underpinned economic analysis to establish business impact</p> <ol style="list-style-type: none"> <li><b>Health scenarios:</b> This is a global situation, and the nature, timing and success of the actions taken by the UK and other countries, especially those close geographically, will likely impact the health trajectory for the UK.</li> <li><b>Economic scenarios:</b> Our economics and financial sector experts will translate the health scenarios into forecasts of the macro-economic impacts covering the base, upside and downside forecast scenarios will also allow for other key factors such as the timing and speed of the recovery in market and consumer confidence after the peak of the pandemic.</li> <li><b>Specific financial modelling:</b> Model and scenario development that will impact your individual business drivers and outcomes. We will utilise and extract your existing financial forecasts (either before or after the COVID-19 pandemic started), data regarding your very recent trading and scenarios and data from the WHO, UK Government and wider market.</li> </ol>
<p>At a time of crisis, we will need to exert discipline and control during your application by driving, co-ordinating and monitoring activity to support successful submission. We handle your application from first contact, through to final result in an environment that is founded on best practice methodology. Where necessary we can use digital tooling, scalable multi-site resource and cutting-edge technology that enables our teams to work with you in remote. We can manage your application effectively, securely, efficiently and sensitively.</p>	

<p><b>Determine</b> Rapidly assessing the initial support you can access and whether to apply</p>	<p><b>Assess</b> Identifying and overcoming evidence gaps that might jeopardise your application</p>	<p><b>Submit</b> Making a strong application for the initial support and communicating this successfully</p>	<p><b>Manage</b> Assessing ongoing business viability, via agreed KPIs and rapid updates to your modelling</p>
<p><b>We will:</b></p> <ul style="list-style-type: none"> <li>Assist you with the decision on whether to apply, when and how much to apply for.</li> <li>Compare your business to the latest eligibility criteria.</li> <li>For multinational businesses, we will help you to understand how the UK scheme support sits alongside support from other countries.</li> <li>Assist you in considering alternative methods to improve your cash flow.</li> </ul>	<p><b>We will:</b></p> <ul style="list-style-type: none"> <li>Review your business modelling capability, and the extent of COVID-19 impact modelling carried out to-date.</li> <li>Systematically analyse gaps to understand robustness of impact modelling across areas such as working capital and cash, operations and supply chain, customer demand and revenue, and workforce. Use this to assess the need for supplemental evidence on the size of loan to apply for.</li> <li>Identify pragmatic ways to supplement your modelling within the loan application timeframe, considering:             <ul style="list-style-type: none"> <li>Health scenarios</li> <li>Economic scenarios</li> <li>Impact on business drivers / outcomes.</li> </ul> </li> </ul>	<p><b>We will:</b></p> <ul style="list-style-type: none"> <li>Help you to develop and implement the governance you need around the submission including board papers and Capital Markets notices.</li> <li>Support you as required for wider communications with your customers, suppliers and staff.</li> <li>Help you manage the logistics of submission.</li> </ul>	<p><b>We will:</b></p> <p>Continue to assess the viability of your business after the initial loan decision using:</p> <ul style="list-style-type: none"> <li>Targeted improvements to your financial model, and rerunning to update your forecasts.</li> <li>Updated scenarios according to changes in health data, economic data, movements in your KPIs, and other considerations such as government policy announcements.</li> <li>Horizon scanning for risks / issues.</li> <li>Ongoing assessment of the need to apply for further support via any future application rounds.</li> </ul>

# Self-help tax related measures to help with liquidity

Consider the areas below to preserve cash.

## Tax payments

- HMRC have indicated that they are looking to be more flexible in terms of tax repayments (e.g. in terms of automatic offsetting), so taxpayers should consider contacting HMRC if they believe they are entitled to a repayment.
- Businesses should consider reviewing instalment payments in light of updated business forecasts to ensure they remain accurate.

## Research and Development (R&D) cash acceleration

- Eligible businesses should be accelerating submission of R&D claims in order to receive cash back as soon as possible. Businesses should also ensure that they are maximising incentives in the UK and globally.
- As a reminder companies can obtain between 10% and 33% in cash from HMRC on qualifying R&D spend. The large company incentive not only generates cash but also gets booked above the line, boosting EBIT.

## Defined Benefit Pensions

- Businesses with defined benefit schemes could consider deferring pension contributions in order to preserve cash.
- Many companies are already looking at this and discussing with their pensions trustees. The Pensions Regulator has now issued guidance on the factors (actuarial, legal and covenant) that need to be considered/addressed to achieve this.

## VAT matters

- We have developed an [open page](#) on [globalvatonline](#), our online VAT resource, to keep you up to date on global developments from the tax authorities in relation to COVID-19.
- There are a number of non contentious ways in which businesses can use VAT and Customs Duty rules to improve their cash position such as:
  - Ensuring that VAT is recovered as quickly as possible by streamlining processes or introducing accruals to create immediate cash flow benefits.
  - Ensuring that reliefs from paying VAT in situations where customers delay payment are maximised.
  - Businesses often do not fully recover all VAT that they are entitled to because of process and systems limitations, and unlocking these can improve ongoing VAT recovery as well as an opportunity to reclaim VAT not recovered in the past.
  - Many businesses do not critically evaluate the rate of customs duty paid on imported goods or take advantage of reliefs from paying duty on goods that are shipped into the UK.

To find out how PwC UK is responding to COVID-19, please visit:  
[www.pwc.co.uk/COVID19businesscontinuity](http://www.pwc.co.uk/COVID19businesscontinuity)

For our latest insights and resources, please visit:  
[www.pwc.co.uk/COVID-19](http://www.pwc.co.uk/COVID-19)

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