

COVID-19 Coronavirus Business Impact Broadcast Series

What PE Firms Should Know About the UK Government Stimulus Package

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On 9 April 2020, Dechert's Private Equity group presented "What PE Firms Should Know About the UK Government Stimulus Package," an episode of the firm's COVID-19 Coronavirus Business Impact Broadcast Series. The episode was hosted by Chris Field (moderator), a partner in the firm's private equity group; Daniel Hawthorne, a partner in the firm's international tax practice; David Miles, a leveraged finance partner in the firm's private equity group; Aparna Seghal, a partner in the firm's finance and real estate practice; and Charlie Wynn-Evans, a partner in the firm's labor and employment group, each based in the firm's London office.

The UK government has introduced a number of initiatives to help individuals and businesses during the COVID-19 pandemic. This broadcast summarizes the assistance available under these initiatives and discusses their application to PE firms and their portfolio companies.



HIGHLIGHTS FROM THE EPISODE

Direct Loan Schemes

The UK government has announced two direct loan schemes that may be relevant to portfolio companies: the Coronavirus Business Interruption Loan Scheme ("CBILS") and Coronavirus Large Business Interruption Loan Scheme ("CLBILS"). The CBILS scheme has now launched and is available to support small and medium enterprises with a turnover of up to £45 million to enable access to loans, overdrafts, invoice finance and asset finance of up to £5 million and for up to 6 years. The CLBILS scheme is expected to launch later this month (April 2020). It is expected that the CLBILS available will be larger as compared to the CBILS, i.e., up to £25 million for business with an annual turnover of between £45 million and £500 million, and as with the CBILS, will be made available by commercial banks with the UK government guaranteeing 80% of the loan. Loans under both schemes will effectively be at the discretion of the lender, and any financing offered would need to be structured so that it can be implemented within the existing financing framework of a portfolio company.

Retail, Hospitality and Leisure

The UK government has introduced three schemes that may be particularly relevant for business in the retail, hospitality and leisure sectors. First, a 12-month business rates holiday for all retail, hospitality and leisure businesses, regardless of size. Second, the Small Business Grant Fund, which entitles all eligible smaller businesses to a one-off cash grant of £10,000 to help with ongoing business costs. Third, the Retail, Hospitality and Leisure Grant, which provides businesses in the retail, hospitality and leisure sectors with a cash grant of up to £25,000 based on the rateable value of the property. Private equity firms should consider whether any of their portfolio companies might qualify for these assistance packages.

Tax Measures

A number of measures have been introduced in the UK to help businesses with payment of their tax liabilities. First, VAT payments due for the period from 20 March until 30 June 2020 may be deferred and taxpayers will be given until the end of the 2020-21 tax year to pay any liabilities that accumulate during the deferral period. Second, individuals' self-assessment payments on account due by 31 July 2020 may now be deferred until January 2021 without penalties or interest. Third, HM Revenue and Customs' Time to Pay service remains available. This is an existing HMRC arrangement for businesses in financial distress and with outstanding tax liabilities.

Job Retention Scheme

Under the Coronavirus Job Retention Scheme, the UK government will reimburse 80% of employees' regular pay while they are furloughed (up to a cap of £2,500 per month) together with the related employer's NI costs and minimum auto enrolment pension payments. The scheme is currently scheduled to last for three months from the backdated date of 1 March 2020, but may be extended. Private equity firms should be ensuring that all their portfolio companies are actively reviewing this option. A similar scheme is also being set up for the self-employed with annual trading profits of less than £50,000. The scheme will cover the same period and is expected to be operational by the end of April 2020.

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