

Newman & Partners

Licensed Insolvency Practitioners

RECOVERY & REVIVAL BULLETIN

Welcome to the latest issue of our Recovery and Revival Bulletin, designed to keep you up-to-date on insolvency matters that may be of interest to you. If you have any feedback on this bulletin, or would like to know more about our services or how we can help you, please contact us on **020 8357 2727** or at insolvency@newmanandpartners.co.uk

Sharp rise in number of construction companies facing financial distress

In the past year, the number of British businesses operating in the construction sector that are facing 'significant financial distress' has increased by more than 40 per cent. In the past 18 months, the number of construction firms on the brink of insolvency has doubled.

The findings follow the publication of a new quarterly 'red flag' tracker, which was recently highlighted in an article penned by *The Construction Index*. The tracker found that, in the first quarter (Q1) of 2018, there were as many as 60,541 construction companies and 115,249 support services companies facing 'serious risk' of collapse. Meanwhile, across the UK economy as a whole, a staggering 477,210 businesses faced a similar fate.

Following the publication of the worrying research, commentators have said that uncertainty surrounding Britain's vote to leave the European Union (EU) has had a largely negative impact on business confidence over the past few months – particularly in the construction sector. However, even now that Brexit negotiations are well underway, the sector continues to face mounting financial difficulties. In fact, the report's authors noted that in April 2018, Britain's construction sector actually experienced its sharpest fall in activity since June 2016, spurred on largely by the untimely collapse of construction giant Carillion earlier in the year, and the subsequent damage this caused.

Looking ahead, concerns have been raised that an increasing number of construction firms continue to find themselves running into financial



problems with unpaid invoices, waning activity and other adverse circumstances. In light of this, struggling companies are being advised to seek specialist advice at the earliest possible opportunity.

Our team at Newman and Partners

can provide help to you if your client is struggling with debt issues or facing insolvency. Such concerns are always best explored at the earliest possible opportunity. To find out more about our debt management services, please contact us.

More than half of business started 2018 in 'negative cash flow' due to late payments crisis

A new study into the impact of the UK's so-called late payments crisis on small and medium-sized enterprises (SMEs) has yielded some worrying findings. The research, which was carried out by cloud software company Xero, found that, in total, more than half (53.6 per cent) of small businesses started 2018 in 'negative cash flow' as a result of late payments.

In piecing together its report, Xero analysed data from all businesses that currently use its increasingly popular cloud accounting software, suggesting that hundreds of thousands of small business all across the country are still grappling with late payment woes. On average, the study found that typical 30-day invoices are, in most instances, paid within more than 40 days – with even the very fastest payments still coming in eight days later than specified in pre-agreed terms.

The findings come at a time when the Institute of Directors (IoD) is warning that the UK's late payments crisis has become so severe, new legislation is needed in order to address the "power balance" which is leaving many small businesses

in limbo as their larger suppliers and customers continually drag their heels.

In recent weeks, separate research from the IoD has revealed that almost half (48 per cent) of small business have encountered problems with late payments 'very recently', while 30 per cent feel that the UK's payment system is "excessively bureaucratic" and a further 20 per cent believe that larger firms are exacerbating the problem by using "grossly unfair" terms and conditions in relation to invoices.

David Watt, of the IoD, said: "Chasing late payments can have a particularly damaging effect on our SMEs, and in some cases, it can be so bad the SME

is forced to fold due to a backlog of unpaid invoices."

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Freelance workers accused of tax avoidance increasingly facing insolvency

In recent weeks, reports have emerged that HM Revenue & Customs (HMRC) is pursuing money allegedly owed by tens of thousands of British contractors and freelance workers who have been accused of trying to avoid tax by using 'disguised remuneration' schemes. Following the news, concerns have been raised that an increasing number of freelance workers are facing a very real risk of insolvency as a result of some of the hefty sums HMRC is demanding from them.

The contractors and freelancers in the tax authority's sights are those that used disguised remuneration or similar schemes in the 2000s. Such schemes, which effectively enabled such individuals to swerve their National Insurance (NI) and Income Tax responsibilities during these years, were once commonplace – and were widely thought to be legal.

According to a recent report in *The Times*, many contractors working in the IT and healthcare industries were 'duped' into thinking that disguised remuneration schemes were lawful by 'unscrupulous scheme promoters'. But HMRC has

since confirmed that the schemes, which usually involved employers making regular payments into trusts which pay out interest-free loans to contractors, "were always tax avoidance."

Due to this, the Revenue is now pursuing almost 100,000 contractors – some of whom are being ordered to pay sums equating to £900,000 or more once hefty penalty charges are taken into account. In most cases, the amounts HMRC is requesting are at least double the value of the initial debt, reports suggest.

Commenting, a spokesperson on behalf

of HMRC said: "These schemes are, and were always, tax avoidance. They used contrived transactions to bend the rules of the tax system to gain a tax advantage that Parliament never intended. In reality, the individual will never repay the loan from the third party so it is no different to normal income and is taxable."

Providing the right advice to your clients during a period of financial difficulty is crucial, and any concerns regarding insolvency are always best explored sooner rather than later. To find out more about our proactive services, please contact us.

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