October 2019

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**

Government says insolvency tax changes shouldn't affect SMEs

The Government has said that concerns about the impact of new rules that will see payments to the taxman be prioritised in company insolvencies are unfounded. Responding in a written answer to Parliament, Financial Secretary to the Treasury, Jesse Norman, said that the Government doesn't expect this reform to affect small and medium-sized companies.

The new rules, which will see some tax debts owed to HM Revenue & Customs (HMRC) be elevated to preferential status in insolvencies, are due to come into force on April 2020. Debts includes outstanding payments of PAYE income tax, employee national insurance contributions, VAT, and student loan deductions. These will have to be paid before unsecured trade creditors can seek to recover their monies.

In a joint letter to the Chancellor of the Exchequer, Sajid Javid, accountancy, investment and legal trade groups recently said: "While extra money for HMRC in insolvency procedures may appear positive it means less will be going back to trade creditors, pension schemes, and consumers".

"This will hurt the economy in the long run. Poor returns from insolvency procedures can jeopardise the health of other businesses, can make creditors more likely to vote down rescue proposals, and can trigger further insolvencies. The Government's policy increases the chances of this happening."

Mr Norman said that the Treasury had "carefully considered the case for reform prior to announcing this change last year". He added: "It is the Government's view that taxpayers can reasonably expect that when they have successfully paid their taxes, these go to fund public services as intended. This measure represents a proportionate approach that balances the interests of taxpayers, the Exchequer, and other creditors."

He also noted that the Government does not expect this reform to significantly affect SMEs' access to finance and added that officials were "engaging with a wide variety of stakeholders to ensure policy changes are well informed and based upon the best available evidence".

If you are concerned about how these changes may affect clients in future, why not speak to the team at Newman and Partners. We are constantly reviewing the situation and we will be able to advise on the best course of action for businesses once the new rules are introduced.

Restaurant insolvencies jump by a fifth

In the last year, insolvencies in the restaurant industry have increased by 20 per cent as chains and independent businesses face higher staff costs, business rates and fierce competition on the UK high street. New research has indicated that 1,410 restaurants entered insolvency proceedings in the year to the end of June, a rise of up to a fifth on the previous 12 months.

As well as the challenges of rising costs, restaurants have also faced a slowdown in consumer spending, the uncertainty created by Brexit and an oversubscribed sector. The most high-profile insolvencies in this sector in the last year have been the collapse of Carluccio's, Jamie's Italian and Byron but the research shows that the difficulties of the market have also affected lots of smaller restaurateurs.

The study says that "cashflow will be key in the coming months" and that "renegotiating payment terms with creditors and cutting unnecessary expenditure" were some of the steps that restaurants could take to improve trading conditions. Insolvencies in the casual dining sector will most likely mean that restaurants that "combine the right cost base with strong brand loyalty and a unique offering" will survive, according to the report. Similar research has previously indicated that the UK's top 100 restaurants made an £82 million loss in the last year, down from a pre-tax profit of £102 million 12 months ago.

If you know of a failing restaurant or have a client that has been affected by the slowdown in consumer spending, why not contact our team for advice. We have years of experience helping companies from a wide range of sectors turn their fortunes around.

UK insolvency rates estimated to grow by 10 per cent

A new report by multinational insurance company Atradius has revealed that insolvency rates are rising for the first time since the aftermath of the 2008 financial crash – with the UK predicted to experience a significant rise in company failure. The study shows that the rate of business insolvency in Britain is due to rise by 10 per cent this year, while western Europe is likely to experience a lower rate of 2.7 per cent.

Britain and Europe are not alone though, as the figures show that insolvency rates are expected to reach 2.8 per cent across developed markets around the world. Looking ahead the firm has predicted a further five per cent increase in the UK's rate of insolvency for 2020.

Stuart Ramsden, Head of Commercial for Atradius UK, said: "The strain from a global economic slowdown, political uncertainty and trade tensions is evident, taking a toll on growth and contributing to the first global rise in insolvencies in a decade.

"However, businesses cannot be inhibited by this and if they want to achieve growth and must be prepared to face the challenges by protecting their business from any potential negative impact. A robust trade strategy is crucial with risks assessed and mitigated against in real-time."

The study comes at a time when the International Monetary Fund (IMF) has cut its global growth forecast for 2019 from 3.3 per cent to 3.2 per cent. The current slowdown is thought to be the result of the US-China trade war and increasing tensions in the Middle East. The Bank of England also cut its 2019 growth forecast for the UK economy to 1.3 per cent in August. Its growth forecast for 2020 is 1.3 per cent.

If you are concerned about the global economic slowdown and how it may affect your clients you must seek insolvency advice. If these figures turn out to be accurate then the growing number of UK insolvencies could have a wider impact on other businesses and the wider economy.

Newman & Partners Insolvency
Lynwood House
373/375 Station Road
Harrow
Middlesex HA1 2AW

T: 020 8357 2727
F: 020 8357 2027

E: insolvency@newmanandpartners.co.uk
W: www.newmanandpartners.co.uk

Newman & Partners
Licensed Insolvency Practitioners