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**

How might the recent Carillion collapse impact insolvencies?

Just weeks into the New Year, Carillion – the UK's second-largest construction company – announced its intention to be placed into compulsory liquidation. The longstanding construction giant revealed that it was grappling with debts of approximately £1.5 billion – and, despite Carillion's involvement in a number of Government-backed projects, such as the HS2 railway project, it soon became apparent that the state would not intervene.

Since the news broke, reports have emerged warning of the impact the collapse might have on small businesses across the UK. In mid-January, Mike Cherry, Head of the Federation of Small Businesses (FSB), said that many businesses linked to the company were at risk of not being paid and that some would face unpaid bills which went "back several months." He warned that "thousands of firms" were at risk of insolvency due to the widespread cash flow complications Carillion's collapse would inevitably create for them.

This worrying news comes at a time when many businesses involved with Carillion – and many more all across the country – are already struggling with the UK's ongoing late payments crisis and substantial cash flow problems. Mr Cherry noted that to no avail, he had written to Carillion back in July 2017 voicing concerns that the construction giant was already unfairly "making small suppliers wait 120 days to be paid."

Suzannah Nicol, Chief Executive of trade body Build UK, has said that Carillion's collapse will have a ripple effect across the entire construction industry. Her organisation has estimated that anywhere up to 30,000 small business will be affected – some facing bills equivalent to 10 per cent or more of their turnover.

"Looking at previous cases where large contractors have collapsed, you typically see that around 17 per cent or 18 per cent of businesses who are creditors to the company don't make it through the next five years," she warned.

Our team at Newman and Partners can provide help to you if your client is struggling with debt issues. To find out more, please contact us.

Auto-enrolment changes to weigh heavily on struggling businesses

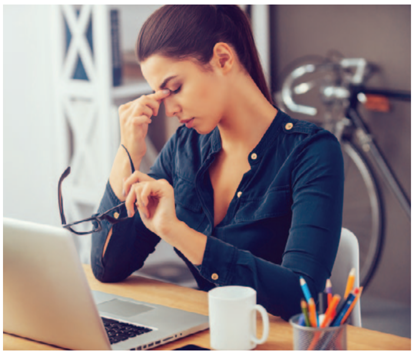
Important changes to auto-enrolment minimum contributions will have an adverse effect on many businesses that are already grappling with financial difficulties, it has been warned. The news comes ahead of changes due to take effect in April this year, which will see the rate of contributions increase from two per cent of qualifying earnings to five per cent of qualifying earnings. In April 2019, the rate will again rise to eight per cent of qualifying earnings.

The first phase of the change was initially due to take place in October 2017 but was delayed until 6 April 2018 following much discussion. April's changes also come in line with an extension of the auto-enrolment scheme to younger workers, which will require employers to automatically enrol all workers aged 18 and above into workplace pension schemes, as opposed to only those aged 22 and above.

According to the Government, the change will enable approximately 900,000 younger workers all across the country to benefit from a workplace pension scheme – saving an additional £800 million. Naturally, the flipside of this is that businesses will face an additional burden in terms of time, resources and costs, which could prove particularly problematic for busy small and medium-sized enterprises (SMEs) that are already experiencing financial difficulties.

As of January this year, it is estimated that UK businesses have successfully enrolled more than 8.5 million members of staff into an auto-enrolment scheme. Others, meanwhile, are bracing themselves for the impending changes and additional pressures these changes will inevitably bring.

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.



HMRC is ‘principal creditor’ when it comes to SME insolvencies, FoI request reveals

New data unveiled by HM Revenue & Customs (HMRC) following a recent Freedom of Information (FoI) request suggests that debts to the tax authority have been the largest single creditor in the liquidation of two thirds (65 per cent) of all businesses in the past financial year. The figures account for as many as 2,995 compulsory liquidations – and represent an 11 per cent rise on HMRC's share from just five years ago.

The FoI revelations come shortly after a separate report published at the beginning of January found that UK businesses now owe approximately £4.4 billion to HMRC in overdue corporation tax and VAT.

Concerns have been raised that many small and medium-sized enterprises (SMEs) are "unable to grapple with an increasingly complex tax code" and are struggling to pay back these bills. Those at the smaller end of the scale are finding it particularly difficult, reports suggest.

The amount owed to HMRC jumped by 47 per cent to around £830 million last year compared with the previous tax year. However, a spokesman from HMRC insisted that the fluctuation in insolvencies was due to "a range of factors" as opposed to one single, distinguishable cause. They said that "HMRC will always offer practical support to viable businesses" and pointed to the 1.5 million time-to-pay arrangements currently in force supporting British SMEs.

Up-to-date figures from the Insolvency Service appear to suggest that compulsory liquidations have fallen by more than 40 per cent since 2012. However, the FoI revelations suggest that many firms are still struggling, and that hefty tax bills undoubtedly have a part to play.

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.

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

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