

# Navigating the likely cash flow pressures on the horizon



**Higher taxes and inflation are likely to negatively impact cash flow for many businesses in 2022. We look at some strategies to meet the challenge.**



New corporation tax rates, a rise in national insurance contributions, higher dividend rates and sustained inflation are all set to put extra pressure on cash flow in 2022.

We know how critical it is for our clients to be able to pay the day-to-day running costs and Shipleys has a proven track record of helping businesses with cash flow management.

#### Short-term financing options

One way to free up cash is through a short-term loan and Shipleys has contacts with several finance providers who could help. One solution is a VAT loan, which involves the lender paying the company's VAT bills directly to HMRC with the business making monthly repayments to the lender. Corporation tax funding works in the same way.

Another option is invoice discounting, giving businesses instant access to a percentage of the invoice total from the lender. Invoice factoring is similar, but the lender will typically chase any late payments on your behalf. This needs to be carefully managed to avoid the risk of damaging client relationships.

Specialist mortgage products could also help, whether a second mortgage based on the equity you've built up in your home, or a commercial mortgage secured on property that's not your residence. These can take time to set up, so a quicker but more costly option is bridging finance, which can be arranged in days. It's a good idea

to use a broker to find the right bridging finance provider, as with other types of finance.

Peer-to-peer lending, which matches investors with businesses via online platforms, is another potential source of finance. These platforms take a fee for providing the matchmaking and credit-checking the borrower.

Details of other types of finance are available on the Shipleys website: <https://tinyurl.com/pmx2tx26>

#### Paying your tax bill in instalments

Tax bills can be a big drain on cash flow. We advise clients who think they might struggle to pay their tax bill to get in touch with HMRC as soon as possible to ask about settling up by instalments using a Time to Pay arrangement.

It's important to get an instalment plan agreed and in place before any tax falls due to avoid surcharges and penalties – and remember that you will pay interest. You'll have to deal with HMRC in person, but the Shipleys team is happy to guide you through the Time to Pay application process. There's more about Time to Pay on the gov.uk website at: <https://tinyurl.com/yckryzcm>

#### The importance of just-in-time information

To help manage cash flow, it is important to be able to get an accurate picture of your finances whenever and wherever you need it. Many of the leading online

accounting software products help businesses do just that.

By linking to your bank transactions and factoring in sales revenues and business expenditure, such software can provide businesses with just-in-time management information about their cash flow position. At Shipleys, we can help businesses make the most of Xero, Dext, Quickbooks and many other leading brands. More details at: <https://tinyurl.com/yckn6u43>

#### Budgeting and forecasting

It's more important than ever to invest time in budgeting and forecasting for different scenarios. The key is to identify potential stress points in different situations and their likely impact on the business.

Armed with this information, businesses can better plan activities to mitigate the risks. This might involve arranging finance (see above and our article in the last edition of *Shipshape* at <https://tinyurl.com/pmx2tx26>). Alternatively, it could involve looking to lease instead of buy assets or making more of capital allowances to ensure that new investment in the business is cost-efficient from a tax perspective.

The Shipleys team often supports businesses with forecast assessments and scenario planning.

**Please speak with your usual Shipleys contact if you would like more information.**