

24 October 2022

## Business News England

Welcome to our round-up of the latest business news for our clients. Please contact us if you want to talk about how these updates affect your business. We are here to support you!

### Creating value through innovation

Innovation has generally been recognised as essential for value creation, both for individual companies and for the UK economy as a whole. The development of new ideas, processes and technologies and their flow across different sectors is a significant driver of economic growth and productivity. Recently, innovation has also been identified as crucial to the transition of the economy away from fossil fuels and carbon-intensive business activities.



Many factors affect whether and how businesses innovate, for example, the availability of skills and capital and government policy measures such as tax incentives.

However, none are more important than the company's own culture, capabilities and internal systems – all of which are aspects of its governance. Unless companies are

governed in a way that is conducive to innovation, they are unlikely to be in a position to take advantage of new opportunities.

Our most innovative clients share some key characteristics:

- They invest in activities with uncertain outcomes for which the likely commercial return is difficult to quantify and the risk of failure is higher than normal;
- They benefit from the availability of company-specific skills, which may be highly specialised;
- They have a culture which encourages flexibility, experimentation and a high level of individual decision-making; and
- They require a longer-term time investment horizon than many other kinds of business activity.

Research and Development (R&D) is the process of taking an idea and transforming it into a fully-fledged product or procedure. R&D tax credits are a government incentive designed to encourage innovation across multiple industries. This is an opportunity for you to reduce your corporation tax bill or receive a refund from HMRC based on the number of working hours and relevant costs your business dedicates to Research & Development. Under the scheme, SMEs can claim back up to 33% of the costs associated with R&D.

If you are looking for long-term finance to support innovation, you will need to ensure your management accounts are up to date, you make available detailed lists of debtors and creditors, and you might need up-to-date projections before an expert will consider your application.

Please talk to us about R&D tax credits and long-term finance. Our independent experts have many years of experience and success in advising businesses across a wide range of sectors.

### **The tax reliefs and allowances available to your business**

HMRC is encouraging business owners, employers and the self-employed to check online to make sure they are not missing out on a range of tax reliefs and allowances.

One page summary of all tax reliefs and allowances

HMRC's new page on GOV.UK summarises items that people running their own businesses should explore that could help them keep more of what they earn. With just one click, businesses, employers and the self-employed can find out their eligibility for tax reliefs and financial allowances, as well as how to claim them.

These include:

#### Tax-deductible business expenses

- If you're self-employed, you can deduct some of your running costs as part of your annual tax return, as long as they're an allowable expense.
- You may be able to claim tax-deductible expenses for items including office stationery, insurance, bank charges and even heating and lighting for your office, home office or business premises.

#### Research and Development (R&D) tax credits

- If your company is involved in innovative projects in science or technology, you may be eligible to claim R&D reliefs which can even be claimed on eligible unsuccessful projects.

#### Gift Aid

- Companies (and unincorporated associations) can claim tax relief for qualifying donations paid to charities (bodies or trusts accepted as charities for UK tax purposes).

#### Corporation Tax relief

- You can deduct the costs of running your business from your profits before tax when you prepare your company's accounts. This could include things like buying machinery or tools that you use for your business.

#### Employment allowance

- If your business employs people, you may be able to claim Employment Allowance which allows eligible employers to reduce their annual National Insurance liability by up to £5,000.

#### Pre-trading expenses

- If you are in the process of setting up a new business, you may be able to claim back some of the expenses incurred before you started trading through your first tax return.

#### Reclaiming VAT

- If you are a VAT-registered business, you can reclaim VAT on qualifying goods and services you buy for use in your business.

#### Business rates relief

- Some properties are eligible for discounts from their local council on their [business rates](#). This is called 'business rates relief'. Please note that the guidance on business rates relief on GOV.UK is only for businesses based in England.

See: [Tax reliefs and allowances for businesses, employers and the self-employed - GOV.UK \(www.gov.uk\)](#)

## Recovery Loan Scheme

The new form of the Recovery Loan Scheme (RLS) is designed to support access to finance for UK businesses as they look to invest and grow.

Businesses can use the finance for any legitimate business purpose – including managing cash flow, investment, and growth. However, businesses must be able to afford to take out additional debt finance for these purposes.

The British Business Bank will administer the scheme on behalf of the Secretary of State for the department for business, energy & industrial strategy (BEIS).

Key features include:

- Up to £2 million per business group: The maximum amount of a facility provided under the scheme is £2 million per business group for borrowers outside the scope of the Northern Ireland Protocol, and up to £1 million per business group for Northern Ireland Protocol borrowers. Minimum facility sizes vary, starting at £1,000 for asset and invoice finance, and £25,001 for term loans and overdrafts.
- Wide range of products: RLS supports term loans, overdrafts, asset finance and invoice finance facilities. Not all lenders will be able to offer all products.
- Term length: Term loans and asset finance facilities are available from three months up to six years, with overdrafts and invoice finance available from three months up to three years.
- Access to multiple schemes: Businesses that took out a CBILS, CLBILS, BBLS or RLS facility before 30 June 2022 are not prevented from accessing RLS after 1 August 2022, but in some instances borrowing under these schemes may reduce the maximum amount you are eligible for.
- Pricing: The annual effective rate of interest and upfront and other fees cannot be more than 14.99%.
- Personal guarantees: Personal guarantees can be taken at the lender's discretion, in line with their normal commercial lending practices. Principal Private Residences cannot be taken as security within the scheme.
- Guarantee is to the lender: The scheme provides the lender with a 70% government-backed guarantee against the outstanding balance of the facility after it has completed its normal recovery process. The borrower always remains 100% liable for the debt.
- Decision-making delegated to the lender: Recovery Loan Scheme-backed facilities are provided at the discretion of the lender. Lenders are required to undertake their standard credit and fraud checks for all applicants.

The assistance provided through RLS, like many government-backed business support activities, is regarded as a subsidy and is deemed to benefit the borrower.

There is a limit to the amount of subsidy that may be received by a borrower, and its wider group, over any rolling three-year period. Any previous subsidy may reduce the amount a business can borrow.

See: [Recovery Loan Scheme - British Business Bank \(british-business-bank.co.uk\)](https://www.british-business-bank.co.uk/recovery-loan-scheme)

### **The new alcohol duty system: consultation**

In the Autumn Budget 2021, the UK Government published a consultation which ran from 27 October 2021 to 30 January 2022, inviting stakeholders to submit their views on the proposed reforms to the alcohol duty system.

The Alcohol Duty Review aims to improve the current system by making it simpler, more economically rational and less administratively burdensome on businesses and HMRC.

The document in the link below summarises the responses to the consultation and provides the government's response.

The government carefully considered the issues raised by respondents and stated that they were grateful for all of the input received. The response document sets out the government's designs for the new alcohol duty system and changes made to the Autumn Budget proposals as a result of the consultation. Policies contained within the response document include:

- Amendments to draught relief.
- More detail on Small Producer Relief.
- Detail of a transitional easement for the wine industry.

There are also specific points of policy where the government would appreciate further input.

The government will be taking responses until Friday 18 November 2022.

See: [The new alcohol duty system: consultation - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/the-new-alcohol-duty-system-consultation)

### **Learn To Prepare, Prepare To Protect**

Launched in 2022, ProtectUK is a new central hub for counterterrorism and security advice. Whether you're a business owner, work in security, or are a member of the public, register with ProtectUK to become part of the community and receive the latest news and online courses that will enable you to be better protected.

By signing up you can:

- Access the latest security guidance and conduct your own risk assessments.
- Stay informed about different threat types and how to avoid them.
- Read the latest news and participate in the community.

- Take part in online learning.

See: [Welcome to ProtectUK | Protect UK](#)

### **Get support if you have a disability or health condition through Access to Work**

Access to Work can help you get or stay in work if you have a physical or mental health condition or disability.

The support you get will depend on your needs. Through Access to Work, you can apply for:

- A grant to help pay for practical support with your work.
- Support with managing your mental health at work.
- Money to pay for communication support at job interviews.

See: [Access to Work: get support if you have a disability or health condition: What Access to Work is - GOV.UK \(www.gov.uk\)](#)

### **Clean Maritime Demonstration Competition Round 3**

Innovate UK is working with the Department for Transport (DfT) to invest up to £60 million in innovation projects. These will be to develop and deploy real-world operational demonstrations of clean maritime solutions in an operational setting.

The Clean Maritime Demonstration Competition (CMDC) Round 3 is part of a suite of interventions to be launched by the UK Shipping Office for Reducing Emissions (UK SHORE). UK SHORE aims to transform the UK into a global leader in the design and manufacturing of clean maritime technology.

Your proposal must develop, test and deploy novel clean maritime technologies focused on on-vessel technologies or shoreside infrastructure, including at ports and harbours.

#### Strand 1: Vessel or Infrastructure demonstrations

Funding is available in Strand 1 to develop, test and deploy novel clean maritime technologies focused on on-vessel technologies or shoreside or offshore infrastructure including at ports, harbours and wind farms.

Your project's total costs must be between £1 million and £8 million.

[Find out more about Strand 1 and how to apply.](#)

#### Strand 2: Combined demonstrations

Funding is available in Strand 2 to develop, test and deploy novel clean maritime technologies focused on both on-vessel technologies and their related shoreside or offshore infrastructure including at ports, harbours and wind farms.

Your project's total costs must be between £2 million and £10 million.

[Find out more about Strand 2 and how to apply.](#)

### Briefing event

Innovate UK KTN hosted an applicant briefing event for CMDC Round 3 on Friday 30 September 2022 - [you can watch a recording of the event.](#)

## **Power Electronics, Machines and Drives Scale-up competition**

Drivers such as climate change, supply chain resilience and the cost of energy mean that there is a growing need to invest in manufacturing efficiency, particularly across the Power Electronics Machines and Drives (PEMD) value chain.

Innovate UK's Driving the Electric Revolution, will invest up to £5 million in projects that enable the scale-up of PEMD manufacturing to develop a resilient, cross-sectoral, United Kingdom supply chain for these enabling technologies critical for net zero.

This competition is split into two strands.

Strand 1, adopting manufacturing best practice

This strand will fund feasibility studies that facilitate the transfer of knowledge, solutions, technologies and best practice from other manufacturing sectors and demonstrate the impact of these innovations on the PEMD supply chain.

[Find out more about PEMD Scale-up Strand 1 and how to apply.](#)

Strand 2, manufacturing process development

This strand will fund innovative process development projects that impact manufacturing cost, capability and efficiency to grow resilient manufacturing PEMD supply chains.

[Find out more about PEMD Scale-up Strand 2 and how to apply](#)

## **Hydrogen Transport Hub Demonstration Phase 2**

The Department for Transport is working with Innovate UK to invest up to £20 million in innovative projects.

This competition aims to create a long-term sustainable demand for hydrogen from transport and to de-risk hydrogen's adoption for transport owners and operators.

This investment will support demonstrations of infrastructure and hydrogen-powered vehicles across transport modes in real-world operational settings across the Tees Valley.

Your project can focus on one or more of the following demonstrations:

- Hydrogen fuel-cell transport of any size or designation
- Hydrogen combustion transport
- Road, maritime, rail, aviation transport
- Non-road mobile machinery, such as forklift trucks and construction machinery
- Agricultural and forestry tractors
- Emergency and rapid response vehicles
- Special purpose vehicles

See: [Competition overview - Hydrogen Transport Hub Demonstration Phase 2 - Strand 2 - Innovation Funding Service \(apply-for-innovation-funding.service.gov.uk\)](#)

### **Zero Emission Propulsion CR&D competition**

Innovate UK has announced a new collaborative research and development (CR&D) competition. UK-registered businesses can apply for a share of up to £10 million for net zero propulsion innovative projects.

Projects must demonstrate significant improvements in net zero propulsion technologies which may apply across multiple transport modes.

The programme aims to build on previous sector-specific mobility programmes by creating a cross-sector platform. You are encouraged to apply your knowledge and capability to adjacent transport sectors including automotive, aerospace, maritime and rail.

Your project must focus on one or more of the following transport sectors:

- Maritime - Clean maritime technologies for all sizes and categories of maritime vessels are in scope. Solutions can be suitable for one target size of vessel or multiple. Leisure and commercial vessels are in scope.
- Rail - Technologies can target all locomotive classes including those for freight and passenger carrying services and carriages.
- Automotive - Technologies can cover both niche and mainstream on and off-road vehicles. This includes categories L (mopeds and motorcycles only), M (car and passenger carrying) and N (goods vehicles). Construction vehicles and special use vehicles such as emergency vehicles (for example, ambulances and fire engines), refuse collection vehicles, and recreational vehicles (for example, motorhomes) are also eligible. There are restrictions on the use of hydrogen combustion.
- Aerospace - Technologies for drones or unmanned aircraft systems (UAS), advanced air mobility (AAM), and electric or hybrid passenger aircraft.

Your project must address one or more of the following:



- Improved range and overall system performance capability
- Decreased total cost of ownership
- Adoption of and transition to zero-emission end products
- Strengthening of the UK supply chain

See: [Competition overview - Zero Emission Propulsion CR&D - Innovation Funding Service \(apply-for-innovation-funding.service.gov.uk\)](https://apply-for-innovation-funding.service.gov.uk)