Written 3 May 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!

Inflation, it's personal!

We are in a period of high inflation of prices for goods and services. The Office for National Statistics (ONS) shows one of the inflation indices has increased by 6.2% in the 12 months to March 2022.

This is the highest that CPIH (Consumer Prices Index including owner occupiers' housing costs) has been since 1992. Among the main components of this increase are transport costs, such as petrol and diesel and the price of second-hand cars.

The Government Actuary's Department offer commentary on the reasons and recently stated that:

"During the pandemic prices for some goods and services fell, such as for eating out and holidays abroad. This reflected a rapid fall in demand which quickly shifted with demand gradually returning and supply then becoming challenging. Lockdown and workforce availability were key causes, but another factor was the reliance of so many products on semiconductors.

They feature in ever more numbers of products such as computers, cars and even kettles. The demand for semiconductors has been increasing faster than the supply can keep up with."

This has been compounded by other factors, such as the surge in early retirements during the pandemic and increasing energy prices due to the geopolitical situation and war in Ukraine.

These factors and increasing semiconductor production can be managed with a view to bringing prices back down again. However, solutions such as building new semiconductor manufacturing facilities take time, so until then, prices increase.

The BIG question is where next for inflation?

Inflation also poses a risk for business and financial institutions (such as pension funds and insurance companies) as we do not know how it will evolve. There will be scenarios, which may seem unlikely but nonetheless plausible and which could lead to financial difficulties.

Mitigations may be available but will usually come at a cost. This could be purely financial, such as buying insurance. Or it could be more complex, like carefully balancing how much inflation can be passed onto consumers in the form of higher prices.

See: Inflation, it's personal - Actuaries in government (blog.gov.uk)

If you own a business, then:

1. Take time to review your personal objectives – the business is there to provide you with what you want from life, and this is the most important element of any plan.
2. Look at where the business is now, its strengths, weaknesses, opportunities and threats and get a clear understanding of its position in the marketplace, the competition, the systems and the way things are done and the improvements that could be made.
3. Focus on what the business is to look like when it is “complete” or running profitably and successfully. Then you can determine priorities – the big issues that need to be focussed on – this is the plan!

It is also a good idea to look at where you are now and plan for a range of scenarios “good and bad” so that you can be flexible about the direction you should take.

Ask us about our One Page Analyst, a “what if” scenario planner which takes your projected 2022 figures and allows you to work out the effect on profit of reducing expenses, increasing sales, increasing or decreasing prices.

New competition law to replace EU rules

A new law will help UK firms do business while maintaining strong protections for consumers and will come into effect on 1 June 2022 the UK government has announced.

Currently, the UK has retained EU rules that exempt businesses from competition law in certain circumstances. The UK government has received expert advice from the UK’s Competition and Markets Authority, which recommended a new, bespoke competition law exemption for the UK, replacing the retained EU rules, which expire on 31 May 2022.

See: [New law to make doing business simpler while protecting consumers - GOV.UK (www.gov.uk)]

UK announces new trade measures to support Ukraine

The UK has announced new measures to support Ukraine in its conflict with Russia by removing all tariffs covered by the existing UK-Ukraine trade deal.

The measures include:

- UK to cut tariffs on all goods from Ukraine to zero under the UK-Ukraine FTA, providing much-needed economic support.
- New export ban on products and technology that Russia could use to repress the people of Ukraine.
- Tariff measures are part of broad UK economic support to Ukraine, including £1bn in loan guarantees.

See: [UK announces new trade measures to support Ukraine - GOV.UK (www.gov.uk)]

Employee travel and subsistence

With employees' and directors' P11d's for 2021/22 due by 6 July 2022 it is timely to remind employers of the rules for travel and subsistence, particularly as HMRC have recently issued some updated guidance and useful examples of their interpretation of the law.

Tax relief for employee travel costs is available provided the journey isn't ordinary commuting or private travel. Thus, amounts paid by the employer would not be taxable.

No relief is available for ordinary commuting, which is travel between home (or a place that is not a workplace) and a 'permanent workplace'.

There are a number of criteria for determining if a workplace is temporary or permanent, but in general a workplace will always be a permanent workplace if the worker:

- regularly goes to the same workplace in the course of a period of continuous work which lasts or is likely to last more than 24 months, or
- regularly goes to the same workplace for all or almost all of the time for which the worker is likely to hold (or continues to hold) the same employment.

Where the journey qualifies for tax relief then necessary and reasonable subsistence costs associated with that journey would also qualify for tax relief, and if paid or reimbursed by the employer would not be taxable employment income.

Note that where expenses (such as travel and subsistence) are incurred wholly, exclusively and necessarily in the performance of the duties of the employment they no longer need to be reported on form P11d. A dispensation from reporting is no longer required but HMRC would expect there to be controls in place within the organisation to review and approve the expenditure.

Travel by workers operating via Personal service companies (IR35)

From 6 April 2016, new provisions changed the treatment of travel and subsistence expenses for workers providing their personal services to clients through employment intermediaries (IR35). Each engagement the worker undertakes that falls within IR35 is regarded as a separate and the worker's travel and subsistence expenses are treated as if the worker was directly employed by the engager. This will mean that generally no relief will be given for home-to-work travel costs and associated subsistence. However, in certain circumstances, the new provisions are modified or disapplied.

Overarching contracts of employment where worker is supplied via an Agency

Temporary workers engaged under traditional employment agency contracts and caught by the agency legislation, are not entitled to relief for payment of travel and subsistence expenses, including home to work travel to a client's work premises, as each assignment is deemed to be a separate employment and so each new place of work becomes a permanent workplace.

Many Employment Agencies have changed their business model and now put in place overarching contracts of employment to link the various assignments undertaken by workers supplying their services to various separate end-user clients at separate locations. The overarching contract of employment links together a series of separate assignments so that each location of each assignment becomes a temporary workplace. The worker effectively becomes a permanent employee of the employment agency under an overarching contract of employment.

If it is accepted that the contracts are overarching contracts of employment, then each new place of work will usually become a temporary workplace (subject to the "24 month rule") and the individual's travel and subsistence expenses would qualify for relief under the travel rules.

For details see: ESM5510 - Employment Status Manual - HMRC internal manual - GOV.UK (www.gov.uk)

Updated HMRC guidance on the scale of expenditure where accommodation and subsistence is paid for or reimbursed to employees

HMRC have recently updated their guidance and provided a number of examples setting out their interpretation of the law relating to reimbursed accommodation and subsistence costs and what they regard as reasonable. HMRC accept that under certain circumstances it is acceptable to rent a flat near the temporary workplace rather than stay in a hotel.

See: [EIM31838 - Employment Income Manual - HMRC internal manual - GOV.UK (www.gov.uk)]

2.1 million annual tax credits packs to be issued

About 2.1 million tax credits customers have begun to receive their annual renewal packs from HM Revenue and Customs (HMRC).

The packs will be sent between 25 April and 27 May, and customers have until 31 July to check their details are correct and update HMRC if there has been a change in their circumstances.

There are 2 types of renewal packs:

- if it has a red line across the first page and says, 'reply now', customers will need to confirm their circumstances to renew their tax credits
- if it has a black line across the first page and says, 'check now', customers will need to check their details are correct. If correct, customers do not need to do anything, and their tax credits will be automatically renewed

About 630,000 people will need to confirm their circumstances to renew their tax credits for the 2022 to 2023 tax year.

See: [2.1 million annual tax credits packs to be issued - GOV.UK (www.gov.uk)]

Managed move of claimants to Universal Credit set to restart

All benefit claimants will be moved over to Universal Credit by the end of 2024, with moves from legacy schemes resuming next month, the Department for Work and Pensions announced last week.

The restart follows a pause to the process during the pandemic when staff were focused on supporting the surge of new claimants to Universal Credit.

The six benefits being replaced all have complex and inefficient systems based on aging, inflexible IT. Universal Credit uses a modern, digital system which stood up to the test of Covid-19 where it quickly ensured three million new claimants were protected from the financial impact of the pandemic.

The process will resume on 9 May and claimants will gradually be notified of when they will be asked to move to Universal Credit so as to complete the process by 2024.

Everyone moving over from legacy benefits will have their entitlement to Universal Credit assessed against their current claims, with top up payments available for eligible claimants whose entitlement would have been reduced because of the change – ensuring they receive the same entitlement as on a legacy system. These will continue unless their circumstances alter.

See: [Managed move of claimants to Universal Credit set to restart - GOV.UK (www.gov.uk)]

HMRC guidance on electronic payment of tips

HMRC has updated its guidance on tax treatment of tips, gratuities, service charges and troncs to include details on how to handle electronic payments.

The payment of tips is commonplace for employees in the catering and service industries. As the pandemic has accelerated a move away from payment in cash, there has also been a shift towards customers paying tips electronically.

The updated guidance for employers includes examples of systems for the electronic payment of tips. The guidance reflects that a payment made electronically does not change any of the basic principles for deciding how tax is to be accounted for on those tips and whether a national insurance contributions (NIC) liability arises.

Where the employer collects the tips and pays them to employees, the employer is required to deduct income tax and NIC from these payments.

Where customers pay tips directly to staff, each employee is responsible for declaring these earnings to HMRC. Any tax due is likely to be collected through an adjustment to the employee's tax code. Direct payments from customers are not subject to NIC.

There are also separate rules for payments made through 'troncs' (a special pay arrangement used to distribute tips, gratuities, and service charges where a person other than the employer is responsible for sharing the amounts). These are also detailed in the updated guidance.

See: [Guidance on tips, gratuities, service charges and troncs - GOV.UK (www.gov.uk)]

Pub is the Hub 2022 – Community Grants

Grants of up to £3,000 are available to enable rural pub owners, licensees, and local communities to work together to help support and sustain local services in Wales, Scotland and England.

Pub is the Hub's Community Services Fund will assist projects which support the needs of local communities by using pubs to offer a new service or replace a service that has already been lost, such as a local shop, library, post office or community centre, or encouraging the local sourcing of products, providing school meals, IT training and church services.

Funding will support projects where no other local funding for services currently exists.

Applications can be submitted at any time.

See: Community Services Fund - Pub is The Hub

Engineering and technology startup competition

The Regional Talent Engines programme is a new offer that will provide a tailored programme of support to aspiring engineering and technology entrepreneurs in Northern Ireland, North West England, North East England, and Yorkshire & Humber.

The programme is designed to provide you with the practical support you need to help refine your innovation and bring your vision to life. By the end of the programme you will be ready to seek further support for your new startup or pitch for your first investment to bring your innovation to market.

Places on the programme will be awarded through a competitive application process, with the most promising entrepreneurs gaining a place. This is applicable to:

- Recent leavers from Further Education colleges (graduated since September 2016) who have achieved a technical qualification (engineering or related subject) at levels 3-5.
- Mid-career or later-career engineers or technologists who have been working in skilled jobs and are seeking a career change as an entrepreneur.

The programme will be run in two phases. Those accepted onto phase one will receive three weeks of training and 1-2-1 support to refine their business idea. They will then pitch their plan and next steps to a judging panel for selection to phase two. Those accepted onto phase two will receive:

- equity free funding of £20,000 towards living and business support costs
- expert mentoring
- training, roundtables, and events
- 1-2-1 coaching
- access to co-working and meeting space in the Taylor Centre in central London

Places on the programme are awarded without charge. RAEng do not charge fees or take equity. The closing date for applications is 16:00 on Monday 23 May 2022.

See: Regional Talent Engines - Royal Academy of Engineering (raeng.org.uk)

Future homebuyers to be freed from expensive ground rent bills on 30 June

Future homebuyers will see their prospective property bills reduce in just over two months, when the government's ban on charging ground rent on new leases in England and Wales comes into force.

The government is taking action to rid future homeowners of annual costs – known as ground rent. Sometimes worth hundreds of pounds a year, these charges provide no clear service in return and can be set to escalate regularly, with a significant financial burden for leaseholders.

From 30 June 2022, anyone buying a home on a long new lease will now be freed from these annual costs, helping homeowners manage their bills as they face cost of living increases.

Landlords will be banned from charging ground rent to future leaseholders, under a new law that will lead to more transparent homeownership for thousands of homebuyers.

In preparation, many landlords have already reduced ground rent to zero for homebuyers starting a new lease with them. Anyone preparing to sign a new lease on a home in the next two months should speak to their landlord to ensure their ground rent rate reflects the upcoming changes.

See: Future homebuyers to be freed from expensive ground rent bills on 30 June - GOV.UK (www.gov.uk)

Help and support if your business is affected by coronavirus (COVID-19)

Watch a webinar and sign up for email alerts to learn more about the support available if your business is affected by COVID-19.

Statutory Sick Pay (SSP) Rebate Scheme

Register for the next live webinar about COVID-19 Statutory Sick Pay Rebate Scheme 2. You will learn about:

- making payments to employees who are off sick or self-isolating because of COVID-19 on or after December 2021
- what employees you can claim for under the scheme

Watch a video about COVID-19 Statutory Sick Pay Rebate Scheme 2.

COVID-19 Statutory Sick Pay Rebate Scheme 2.

How to report COVID-19 taxable grants and payments

Watch a video about how to report COVID-19 taxable grants and payments.

COVID-19 support schemes – declaring your grants on your Company Tax Return (CT600)

How to declare your grants on your Company Tax Return (CT600)

Register for the next live webinar about declaring your grants on your Company Tax Return (CT600) to learn about:

- how to report COVID-19 support payments and grants on your Company Tax Return
- what happens if you've claimed too much
- records you need to keep

Watch a recorded webinar about declaring your grants on your Company Tax Return (CT600).

Rural Payments Agency (RPA) April 2022 update.

RPA recognises that this is a really challenging time for many rural businesses and they share some updates and reflect on what has been achieved in the website link below. The updates include:

- the Sustainable Farming Incentive in 2022
- Landscape Recovery and Local Nature Recovery
- the Lump Sum Exit scheme

RPA have published their 5 Year Strategy which sets out their main objectives in delivering agricultural transition, meeting both customer expectations and policy needs, delivering environmental outcomes through a quality service and being an exemplar of the Civil Service's Operational Delivery Profession working in practice.

RPA continued to deliver a range of services to rural businesses and developed and implemented new schemes and services. They launched the Sustainable Farming Incentive (SFI) pilot with over 2,500 expressions of interest and more than 900 applicants.

RPA has continued to issue payments to farming and rural businesses through schemes such as the Basic Payment Scheme (BPS), Countryside Stewardship (CS) and Environmental Stewardship (ES). Over 100,000 eligible 2021 claims worth £1.8bn were paid - 92% by the end of December (2020: 89.5%). This represented 98.3% of BPS, 62.2% of CS revenue claims, and 64.6% of ES eligible claims.

They also received over 5,600 CS Capital grant claims worth £66.75m, which had helped to establish and maintain woodland and hedges.

RPA introduced a new approach for rural business that were due more than one 2021 scheme payment (combinations of BPS, CS, and ES). They wanted rural businesses to receive at least one payment in December, and over 98% did.

See: Rural Payments Agency update - April 2022 - GOV.UK (www.gov.uk)