

Written 11 April 2022

## **BUSINESS NEWS SCOTLAND**

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!

### **Business resilience in these tough times**

Millions of households are facing a rise in energy costs, alongside increases in the cost of council tax, water bills and other utilities and there is a warning of fresh energy bill price rises in October. Energy prices have been affected by the Ukraine war and pressure on suppliers. There are continuing delays and shortages on a wide range of goods businesses need to function properly. In addition, the National Insurance rise is now hitting pay packets, an additional cost to both employers and employees.

Is it all doom and gloom or can you plan forward and make adjustments in and to your business to factor in these changes?



Our experience is that business owners are a resilient group and those that are the most successful are also flexible in their planning. Here are some of our recommended actions, based on what we have seen other clients doing recently to firm up their resilience to these tough times:

- Review your budgets and set realistic and achievable targets for the remainder of 2022 and know your cash flow forecast inside out.
- Get your team involved in a discussion of likely trading conditions and get their input on reducing costs and maintaining revenues.

- Get rid of 'won't pay' customers.
- Review your debtors list and chase up overdue invoices (if appropriate). If applicable, offer existing debtors extended payment terms and/or discounts.
- Make sure your terms of business contain explicit payment terms.
- Assign responsibility to one individual for invoicing and collections.
- Put extra effort into making sure your relationships with your better customers are solid.
- Review your list of products and services and **eliminate** those that are unprofitable or not core products/services.
- If possible, agree extended payment terms with suppliers in advance.
- If appropriate, review banking facilities and discuss future needs.
- Don't ignore debt. Ask for help if you are struggling.
- Know what you are spending and on what. Look at your detailed expense list in your profit and loss account and assess if there is room for negotiation in any of your fixed expenses and/or whether there are alternative suppliers.
- Look at your expenses and see if you can make small cut backs in lots of areas. Use 'bottom up' budgeting where everyone in the office gives input on areas over which they have control – target a 10% cost saving.
- Review and flowchart the main processes in your business (e.g. sales processing, order fulfilment, shipping etc.) and challenge the need for each step.
- Encourage team members to suggest ways to streamline and simplify processes (e.g. sit down and brainstorm about efficiencies and cost reduction).
- Review your staffing needs over the next few months.
- Establish your key performance indicators (KPI's) and measure them on a weekly basis.
- Review efficiency of business processes and consider alternatives such as outsourcing certain activities locally or overseas.
- Pull everyone together and explain the business strategy and get their buy-in.

Please talk to us about planning ahead because we have considerable experience with helping our clients with their strategy and sustainability in turbulent times.

## **Giving Shares to Employees**

Where companies give shares to employees in the company or group that they work for they will generally be taxed on the difference between the market value of those shares and the amount paid, if any. The transaction also needs to be reported to HMRC by 7 July following the end of the tax year. HMRC provide a template to enable employers to report the transaction online:

See: [Other ERS schemes and arrangements: end of year return template, technical note and guidance notes - GOV.UK \(www.gov.uk\)](#)

Considerations around whether employers need to operate PAYE and whether national insurance contributions are payable depends upon whether the shares are 'readily convertible assets'. Broadly this would be where there are trading arrangements in place to quickly sell the shares.

It is generally more tax efficient for the employee if the company awards them shares under a tax-advantaged share incentive scheme such as under the Enterprise Management Incentive (EMI) scheme or a Share Incentive Plan (SIP).

Contact us if you would like more information about these schemes.

#### Corporation Tax relief for Employee Share Acquisitions

Provided certain conditions are satisfied, the employing company will obtain a corporation tax deduction when employees acquire shares in the company or group that they work for, whether they acquire the shares directly or under a share option agreement. The amount of the deduction is the difference between the market value of the shares and the amount paid by the employee and will often mirror the amount taxed on the employee. This is a statutory deduction and will be available irrespective of whether there is a deduction for the transaction in the company's profit and loss account.

#### Tax Relief when Share Options are granted

A recent case before the Supreme Court (*HMRC v RCL Investments Ltd and Ors (2022) UKSC 9*) has determined that where a company is accounting for share-based payments in accordance with International Financial Reporting Standard 2 (IFRS 2) then it is possible to obtain a corporation tax deduction based on the market value of shares when share options are granted to employees. In the case heard, there was a complex arrangement involving payments to an Employee Benefit Trust (EBT) that acquired shares on behalf of employees. The Supreme Court determined that the grant of options by the EBT trustee to the companies' employees triggered an obligation on the companies to recognise an expense in their income statements equal to the fair value of the options that the EBT trustee had granted. This amount would not necessarily be recognised immediately but could be spread over a number of accounting periods.

Awarding shares to employees is a complex area so please contact us before you consider such arrangements.

#### **HMRC have published an updated factsheet for employers regarding employment status**

In conjunction with the start of the new tax year, HMRC have published an updated factsheet to assist employers in determining the employment status of their workers. The factsheet recommends the use of the 'Check Employment Status for Tax' (CEST) diagnostic tool on the HMRC website but that is not obligatory.

See: [Employment status factsheet \(ES/FS2\) - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/factsheets/employment-status-factsheet-es/fs2)

There is also a factsheet aimed at workers: [Employment status factsheet \(ES/FS1\) - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/factsheets/employment-status-factsheet-es/fs1)

### **Net Zero Technology Centre innovation funding**

The Net Zero Technology Centre has launched the first of two open funding windows for 2022.

Businesses from across the globe can apply for a share of £7 million available in the first funding window, with a maximum of £1 million to be awarded to each successful project.

The projects must support the transition towards net zero with an obligation of trialling and deploying technology within the UK continental shelf. As well as funding, the projects will also gain access to data facilities and technical expertise from industry.

The following technology focus areas have been identified for this funding window:

- carbon capture, utilisation and storage (CCUS)
- hydrogen and clean fuels
- renewables and energy storage
- zero emissions power
- venting and flaring
- integrity management - well integrity
- late life and decommissioning
- integrity management - CUI

Digital and data architecture, smart assets and field automation will be technology focus areas within the £3 million second open innovation programme in October.

See: [Net Zero Technology Centre innovation funding \(nibusinessinfo.co.uk\)](https://nibusinessinfo.co.uk/news/net-zero-technology-centre-innovation-funding/)

### **UK-South Korea collaborative research & development**

Innovate UK, part of UK Research and Innovation, will invest up to £2 million in innovation projects in partnership with the Korea Institute for Advancement of Technology.

The aim of this competition is to fund collaborative research and development (CR&D) projects focused on industrial research. Proposals must include at least one partner from the UK and one partner from South Korea.

The projects that Innovate UK fund will be expected to result in a new product, industrial process or service, be innovative, involve a technological risk and have high market potential in the participating countries.

The projects must focus on one or more of the following sectors:

- advanced manufacturing and materials

- artificial intelligence
- clean energy - specifically battery technologies, hydrogen mobility technologies and future vehicles

UK applicants can apply for a maximum grant of up to £350,000 for each project. UK project partners must carry out the majority of their project work in the UK and intend to exploit the results from or in the UK.

See: [Competition overview - UK-South Korea Collaborative R&D - Innovation Funding Service \(apply-for-innovation-funding.service.gov.uk\)](#)

### **Government sets out plan to make the UK a global cryptoasset technology hub**

The government announced last week moves that will see 'stablecoins' recognised as a valid form of payment as part of wider plans to make Britain a global hub for cryptoasset technology and investment. In brief:

- Stablecoins are to be brought within regulation, paving their way for use in the UK as a recognised form of payment.
- This is part of a series of measures to make the UK a global hub for cryptoasset technology and investment.
- Measures include legislating for a 'financial market infrastructure sandbox' to help firms innovate, an FCA-led 'CryptoSprint', working with the Royal Mint on a non-fungible token, and an engagement group to work more closely with industry.



See: [Government sets out plan to make UK a global cryptoasset technology hub - GOV.UK \(www.gov.uk\)](#)

### **Kickstart Scheme closure**

Kickstart Scheme applications closed at midday on 17 December 2021.

Employers who applied for a Kickstart Scheme grant before midday on 17 December 2021 should have received a decision on their application. It is recommended that employers contact their local or national Kickstart Scheme contact if they have not received a decision.

Those with successful applications should have signed and returned their grant agreement by 7 January 2022, submitted their vacancies to the Department for Work and Pensions (DWP) by 31 January 2022 and started the young person in the job on or before 31 March 2022.

To help DWP process the funding, they ask that employers tell them as soon as possible or by 30 April 2022 that [the young person has started their job](#).

Employers will get funding for 6 months once the young person has started their job.

See: [Kickstart Scheme closure - GOV.UK \(www.gov.uk\)](#)

### **Agricultural wages guide for workers and employers**

The 26th edition of the guide for workers and employers produced by the Scottish Agricultural Wages Board (SAWB) is now available. SAWB is an autonomous body which sets minimum wages and other terms and conditions of service for agricultural workers in Scotland.

This guide should be read alongside the Agricultural Wages (Scotland) Order (No. 69) 2022 ('the Order'). A copy of the Order is included with the guide.

The Order contains the detailed legal requirements for the calculation of minimum pay, holidays, etc, and has to be written in the precise legal terms required to make the Order enforceable in law.

This guide explains these rules in simpler terms and answers some of the questions which are most likely to arise. If there is any confusion between the Order and the guide, the provisions of the Order take precedence.

This version of the guide incorporates the new rates of pay and other changes and was introduced 1 April 2022.

See: [Agricultural wages guide for workers and employers - 26th edition \(findbusinesssupport.gov.scot\)](#)

### **Introductory guide to carbon footprinting**

Scottish Enterprise's insight guide provides an introduction for businesses to the carbon footprinting process. This online guide covers:

- what an organisational carbon footprint is
- the different scopes of greenhouse gas emissions
- why businesses should calculate their carbon footprint
- how a business can calculate their emissions
- how businesses can verify and report their carbon footprint

- what businesses should do when considering carbon offsetting

See: [What is your business carbon footprint? - Scottish Enterprise \(scottish-enterprise.com\)](https://www.scottish-enterprise.com/what-is-your-business-carbon-footprint/)

### **Introductory guide to the circular economy**

Scottish Enterprise's guide provides an introduction to the concept of the circular economy. It contains information about the main circular economy business models and guidance on how companies can assess and improve the circularity of their products and services.

This online guide covers:

- what the circular economy is
- the global opportunity from switching to a circular economy
- the main linear economy wastes
- the rationale for businesses to adopt circular economy practices
- the main circular economy business models
- what businesses should consider when starting out

See: [How your business can go circular - Scottish Enterprise \(scottish-enterprise.com\)](https://www.scottish-enterprise.com/how-your-business-can-go-circular/)

### **Introductory guide to sustainability-driven innovation**

Scottish Enterprise's guide to sustainability-driven innovation offers an introduction to how and why businesses should consider sustainability when developing new and improved products and services. The guide covers the key benefits of sustainability-led innovation and why businesses should get involved.

This online guide covers:

- what sustainability-led innovation is
- how sustainability-led innovation is applied across different areas of the business
- the business benefits of embracing sustainable innovation
- the key environmental principles to consider

See: [Sustainability-driven innovation - Scottish Enterprise \(scottish-enterprise.com\)](https://www.scottish-enterprise.com/sustainability-driven-innovation/)

### **Digital and IT support**

Scottish Enterprise's Digital Transformation specialists can help businesses use digital and IT-related technology more effectively. The specialists provide free and impartial advice on all aspects of digital technologies.

The team works with companies at any stage of their development, from new entrepreneurs to global enterprises, and across all business sectors.

The use of a 'business first, technology second' approach means they will take time to understand business needs and help find the right solutions.

The specialists have a wide understanding of technology market offerings and valuable information on best practices and change management to help resolve business issues.

A Digital Diagnostic service to help inform business priorities is also available.

Support is available in a wide range of areas, including:

- IT strategy
- enterprise and business systems (ERP, MRP, CRM)
- data and analytics (BI)
- cybersecurity (Cyber Essentials, ISO27001)
- specialist placements
- UK and international e-commerce
- digital marketing
- industry 4.0
- bespoke software development

See: [Digital transformation support - Scottish Enterprise \(scottish-enterprise.com\)](https://www.scottish-enterprise.com/digital-transformation-support)

### **Guidance covering environmental regulations**

The NetRegs website is a free resource designed to help businesses in Scotland navigate the maze of environmental regulations and follow environmental good practice.

NetRegs allows users to find all information relevant to their business sector, with 39 business topics available.

Users can find information on a particular topic by browsing the environmental topics such as waste, water, air pollution or transport. There is also a very efficient search tool that makes finding information easy.

The website provides information on how to comply with environmental regulations, but it also provides information on and signposts to organisations that can help businesses go 'beyond compliance'. This can provide environmental and financial benefits to businesses of all sizes.

See: [Home | NetRegs | Environmental guidance for your business in Northern Ireland & Scotland](#)

### **Heat Network Fund**

This Scottish Government fund aims to encourage commercial interest and investment to make the most of Scotland's vast potential in the low carbon sector, while contributing to the positive progress already made in reducing Scotland's greenhouse gas emissions.



Eligible projects must be large-scale and based in Scotland. As well as helping reduce emissions, successful projects should also have positive social and economic benefits for Scotland.

The Scottish Government are making £300 million available over the next 5 years to support the development and rollout of zero emission heat networks across Scotland.

See: [Overview - Heat Network Fund: application guidance - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/overview-heat-network-fund-application-guidance/pages/1-1-overview.aspx)

### **Heat in Buildings Development Funding**

The Scottish Government fund will support projects that have the potential to create low carbon heat solutions for buildings. It will focus support on the development of full investment-grade business cases, with the aim of helping projects become eligible for future capital support or informing organisations' internal investment decisions and their ability to secure other sources of capital investment and match-funding.

Development activities may include, but are not limited to:

- developing a business case, including a strategic case, economic case, commercial case, financial case and management case
- detailing a financial model, including tariff structures
- analysis of market demand
- valuations
- financial options appraisal – providing support for investment options and propositions
- project management support and services

Applications relating to zero emissions heat solutions across the following themes will be considered:

- Theme 1 – the development of heat network projects
- Theme 2 – zero or low emission heat projects
- Theme 3 – heat networks and heat projects within the Clyde Mission area

The Scottish Government has targeted £1 million of development support for projects with viable feasibility studies.

See: [Scope - Heat in buildings: 2022 development funding invitation - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/scope-heat-in-buildings-2022-development-funding-invitation/pages/1-1-scope.aspx)

### **NetRegs environmental e-learning courses**

NetRegs offers a series of e-learning courses aimed mainly at small and medium-sized enterprises (SMEs), designed to explain what businesses need to do in order to comply with environmental regulations. There are also courses that cover good practice and suggest ways for businesses to reduce their overall environmental impacts, often saving money in the process.

This series of engaging e-learning courses cover the basics of good environmental practice. They can be accessed any number of times and are useful for staff training or awareness-raising, or for individual self-development.

Each course ends with a short quiz to check understanding. The site records the learner's progress.

See: [E-Learning Courses | NetRegs | Environmental guidance for your business in Northern Ireland & Scotland](#)

### **Women In Business Growth Programme**

The Women in Business Growth Programme provides support and encouragement to any female founder of a Scottish-registered company within the City of Edinburgh Council area that has been trading for at least 6 months.

Through 6 workshops, the programme supports the development of the skills and knowledge necessary for business growth, development and survival.

See: [Edinburgh - Local Support | Business Gateway \(bgateway.com\)](#)