

Written 13 June 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!

### **Tax-efficient finance for your company**

HMRC have recently updated their guidance for companies looking to attract investors to buy shares in their company. If structured correctly, and if the company qualifies under the Enterprise Investment Scheme (EIS) or the Seed EIS rules, the investors can potentially take advantage of a number of generous tax breaks.



Under the EIS, the company can raise up to £5 million each year, with a maximum of £12 million raised in the company's lifetime. This also includes amounts received from other venture capital schemes. The company must receive investment under a venture capital scheme within 7 years of its first commercial sale.

The size of the issuing company is crucial as the company and any qualifying subsidiaries must:

- not have gross assets worth more than £15 million before any shares are issued, and not more than £16 million immediately afterwards.
- have less than 250 full-time equivalent employees at the time the shares are issued.

The investment must meet the “risk to capital” condition, which means:

- the company must use the money for growth and development.
- the investment must be a risk to the investors’ capital.

‘Growth and development’ means the company will use the investment to grow things like its revenue, customer base or number of employees.

There are several other complex scheme rules that need to be followed so that the investors can claim and keep EIS tax reliefs relating to their shares. Tax reliefs will be withheld or withdrawn from the investors if they, and the company, do not follow the rules for at least 3 years after the investment is made.

It is advisable to apply for Advance Assurance from HMRC that the company is an ‘EIS qualifying company’ before the shares are issued.

For more details see: [Use the Enterprise Investment Scheme \(EIS\) to raise money for your company - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/use-the-enterprise-investment-scheme-eis-to-raise-money-for-your-company)

Seed EIS (SEIS) is designed to encourage investment in small start-up companies and, like EIS, provides a number of tax breaks for individuals who buy new shares in a company. The company must not have been trading for more than 2 years when the SEIS shares are issued.

Only the first £150,000 of share capital raised by the company qualifies for Seed EIS relief. However, this can form part of a larger share issue with subsequent share issues qualifying for EIS relief up to a £5 million annual limit.

Like EIS, the tax reliefs will be withheld, or withdrawn, from investors if the rules are not followed for at least 3 years after the investment is made.

There is a key condition that the company is an unquoted company carrying on, or preparing to carry out, a qualifying trade at the time that the shares are issued.

Another important condition to qualify under Seed EIS is the company and any of its subsidiaries must:

- not have gross assets over £200,000 when the shares are issued.
- not be a member of a partnership.
- have less than 25 full-time equivalent employees in total when the shares are issued.

Like EIS, it is advisable to apply for Advance Assurance from HMRC that the company is a qualifying company before the shares are issued. For more details see: [Use the Seed Enterprise Investment Scheme to raise money for your company - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/use-the-seed-enterprise-investment-scheme-to-raise-money-for-your-company)

## **Tax Breaks for EIS Company Investors**

Investors who are not connected with the company may claim income tax relief of 30% of the amount that they invest in qualifying EIS companies up to £1 million each tax year (or up to £2 million if at least £1 million of that is invested in knowledge-intensive companies). Thus, a £10,000 investment would result in a £3,000 reduction in the investor's income tax liability.

The connected persons tests are complicated. For example, directors cannot claim EIS tax relief if, at the time the shares are issued, they are a paid director of the company - unless the payment is a 'permitted payment'. They may, however, become a paid director after their investment under the 'business angel' rule.

Provided the shares are held for at least 3 years, the income tax relief is retained and any gain on disposal of the shares would be exempt from capital gains tax.

It is also possible to defer capital gains on any asset disposal by reinvesting the gain in qualifying EIS shares.

## **Tax Breaks for SEIS Company Investors**

Investors who are not connected with the company may claim income tax relief of 50% of the amount that they invest in qualifying SEIS companies, up to £150,000 in each tax year. Thus, a £10,000 investment would result in a £5,000 reduction in the investor's income tax liability.

The connected persons tests are complicated and similar to the EIS rules; however, directors can claim SEIS tax relief.

Provided that the shares are held for at least 3 years, the income tax relief is retained and any gain on disposal of the shares would be exempt from capital gains tax.

A further relief for SEIS investors is that 50% of the amount invested may be set against capital gains that year. Thus, a £10,000 investment would mean that the investor could deduct £5,000 from their capital gains that year in addition to the £5,000 reduction in their income tax liability.

Please talk to us about SEIS or EIS schemes for your business.

## **The move from CHIEF to Customs Declaration Service (CDS) – importers and exporters**

HMRC is closing the Customs Handling of Import and Export Freight (CHIEF) system for both imports (Sep 2022) and exports (March 2023) and is encouraging all businesses to move to CDS. You can find information for you and your importers below.



Declarant Checklist – Moving to the Customs Declaration Service: [Declarant checklist – moving to the Customs Declaration Service - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/declarant-checklist-moving-to-the-customs-declaration-service)

Trader Checklist – Moving to the Customs Declaration Service: [Trader checklist – moving to the Customs Declaration Service - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/trader-checklist-moving-to-the-customs-declaration-service)

## Tech Nation's Growth Programmes

Seven of Tech Nation's growth and sector programmes have opened for applications.

If you run a tech company and want to accelerate its growth, Tech Nation could help you find the right programme.

The different programmes can be found on the links below:

- NET ZERO X – a brand new programme for later stage climate-tech companies that are on track to become the UK's next gigacorns. [Read more](#)
- NET ZERO 3.0 – for early-stage UK tech companies that are creating a more sustainable future. [Read more](#)
- APPLIED AI 4.0 – caters to companies with Artificial Intelligence at the core of their key product, no matter their sector. [Read more](#)
- LIBRA 2.0 – supports underrepresented tech leaders with the ambition to scale. [Read more](#)
- FINTECH 5.0 – for fintech and insurtech companies, helping them to navigate the scaling journey. [Read more](#)
- UPSCALE 8.0 – a growth programme for mid-stage companies in all sectors to accelerate their growth. [Read more](#)

- FUTURE FIFTY 11.0 – a late-stage programme that addresses the unique challenges of larger tech companies. [Read more](#)

The closing date and time for all the programmes is 4pm on 28 June 2022.

See: [Tech Nation - The UK network for ambitious tech entrepreneurs](#)

### **Prepare your payroll for the National Insurance changes in July 2022**

From 6 July 2022, some National Insurance Contributions (NICs) thresholds will increase. The primary threshold for 6 July 2022 to 5 April 2023 will rise to:

- £242 per week
- £1,048 per month
- £12,570 per year

See [Class 1 National Insurance thresholds for 2022 to 2023](#).

To accommodate this change, payroll software, including HMRC's Basic PAYE Tools, will need to be updated. This may happen automatically, or you might need to take action.

It is important that payments due to be made on 6 July 2022 or later are calculated using the correct thresholds. Employers who run their payroll early should check that their software has been updated before processing and reporting these payments.

HMRC expect that all software will be updated by 6 July 2022, so any payments processed after that date should not need to be delayed. If you are unsure about whether or not your software has been updated, please contact your software provider.

If you use [Basic PAYE Tools](#), please note that this software will be updated to take account of National Insurance threshold increases from 4 July 2022. HMRC advise you to wait until after 4 July 2022 to run payroll for any payments made on or after 6 July 2022.

Please talk to us about these changes and how we can help you with your payroll.

See: [Rates and thresholds for employers 2022 to 2023 - GOV.UK \(www.gov.uk\)](#)

### **Penalties for overclaimed SEISS grants**

HMRC have updated their guidance setting out the procedure for reporting and repaying overclaimed Self-Employed Income Support Scheme (SEISS) Grants. HMRC are also reminding sole traders and partners who have received these grants that there are potential penalties of up to 100% of the amount overclaimed under certain circumstances.

A penalty of up to 100% would apply where the trader knew that they were not entitled to the grant and did not tell HMRC within a 90-day notification period. The law treats the failure as 'deliberate and concealed'. This means that HMRC may charge a penalty of up to 100% of the amount of the SEISS grant that the trader was not entitled to receive or keep.

Traders are required to notify HMRC if there is an amendment to any of their tax returns on or after 3 March 2021 which either:

- lowers the amount of the fourth or fifth grant they are eligible for; or
- causes the trader to no longer be eligible for the fourth or fifth grant.

If the tax return was amended before claiming the fourth or fifth grant, traders had to tell HMRC within 90 days of receiving the grant.

If the tax return has been amended after receiving the fourth or fifth grant, traders must tell HMRC within 90 days of the amendment.

If the tax return has been amended on or after 3 March 2021, traders do not need to tell HMRC if the grant amount is lowered by £100 or less.

For more details see: [Self-Employment Income Support Scheme – receiving grants you were not entitled to \(CC/FS47\) - GOV.UK \(www.gov.uk\)](#)

## **Small Business Saturday 2022**

The applications for this year's Small Biz 100 are now officially open!

Small Business Saturday is once again highlighting 100 small businesses, one a day for the 100 days leading up to Small Business Saturday (3 December 2022).

For the last 9 years, the 100 have not only received exposure on Small Business Saturday's social media channels and in the local and national press, but also joined the Small Business Saturday team in London at receptions in both Downing Street and The Treasury Drum with the Chancellor of the Exchequer.

Applications close on 30 June 2022.

See: [Small Business Saturday UK | Another year making a Big Difference!](#)

## **Health and safety for seasonal workers**

With many seasonal jobs being filled at this time of year, it is important that employers protect the health and safety of gig economy, agency and temporary workers.

Workers are as likely to have an accident in the first six months at a workplace as they are during the whole of the rest of their working life.

The Health and Safety Executive (HSE) website has guidance to help users and suppliers of agency and temporary workers understand their health and safety responsibilities. For further information visit [Health and safety for gig economy, agency and temporary workers - HSE](#)

### **Digital Lofts: Cyber security webinars for small organisations**

The National Cyber Security Centre (NCSC) is organising some short webinars during June, aimed specifically at small businesses and organisations.

The webinars are free to attend and will help you understand what actions you can do to improve your own and your organisation's cyber security.

#### Digital Loft: Cyber security for small organisations

Find out how to improve your cyber security and get practical advice for businesses.

Date: Thursday 16 June 2022

Time: 11:30

#### [Register now for this cyber security event](#)

#### Digital Loft: Cyber Essentials

Cyber Essentials helps you to guard against the most common cyber threats and demonstrate your commitment to cyber security.

Date: Wednesday 22 June 2022

Time: 13:00

#### [Register now for this Cyber Essentials event](#)

See: [National Cyber Security Centre - NCSC.GOV.UK](#)

### **New email security tool launched to help organisations check their defences**

An online tool designed to help organisations check if their email security is up to scratch has been officially launched by the National Cyber Security Centre (NCSC).

The new [Email Security Check service](#) helps organisations identify vulnerabilities affecting their email domain so they can take action to fix them.

The tool, launched on day one of the CYBERUK 2022 conference, enables users to look up any email domain to check whether it has recommended security measures in place to prevent cyber criminals sending out malicious emails and to protect email privacy.

Email Security Check requires no sign-up or personal details and is aimed at helping technical teams at organisations quickly identify issues so they can bolster their defences using NCSC [guidance on email security and anti-spoofing](#).

Data shows that the adoption of recommended controls across different sectors varies significantly at present, with some UK sectors having coverage as low as just 7%.

See: [New email security tool launched to help organisations... - NCSC.GOV.UK](#)