Written 13 June 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!

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 Tax reliefs will be withheld or withdrawn from the investors if they, and the company, do not follow the rules for at least 3 years after the investment is made.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)

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)

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)]

Trader Checklist – Moving to the Customs Declaration Service: [Trader checklist – moving to the Customs Declaration Service - GOV.UK (www.gov.uk)]

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

Coronavirus guidance for safer workplaces

The Scottish Government has published updated guidance for all businesses and workplaces. It provides advice on measures that you should continue to take to reduce risk and support staff and customers.

You should use this guidance to consider the risk within your premises and identify the measures you will need to adopt.

The guidance includes information on:

- employer and employee responsibilities
- the current situation in Scotland and what's changing
- precautionary measures for specific sectors
- face coverings
- ventilation
- vaccination and workplace testing
- risk assessment
- health and wellbeing of your workforce
- working arrangements, including working from home/hybrid/flexible working
- good practice
- further support

See: Coronavirus (COVID-19): safer workplaces and public settings - gov.scot (www.gov.scot)

Collaborative research and development with the NMIS

Working with the National Manufacturing Institute Scotland (NMIS) gives you access to world-class capabilities and expertise in Scotland. NMIS works with companies to solve problems, improve products and tackle the engineering challenges of today and tomorrow. There are a number of routes available to companies that want to work with them, as a flexible approach is required when investing in research and development work.

For many businesses, investing in research and development work is seen as too much of a risk – you have great ideas but sometimes lack the necessary funds to bring them to life. NMIS can help businesses in this situation identify and access a number of different funding sources, work with you to build a network of potential collaborators and ultimately turn your ideas into a commercial reality. This helps de-risk your research and development work.

See: [Home | National Manufacturing Institute Scotland (NMIS)]

Directly funded research projects with NMIS

The National Manufacturing Institute Scotland (NMIS) often works with companies that have very innovative and creative ideas for solving their problems and developing their businesses, but don’t have the funds to help them achieve their aims.

The good news is that there are many different funding opportunities available at a regional, national, European and even global level. NMIS can help support companies in accessing those funds. The value can range from a few thousand pounds to several million.

See: [Home | National Manufacturing Institute Scotland (NMIS)]

NMIS insights webinars

The National Manufacturing Institute Scotland (NMIS) has a selection of webinars on their YouTube channel. A wide range of topics are covered, including manufacturing support offered by the NMIS team of experts.

NMIS has a series of weekly technology-briefing webinars, brought to you by their team of engineers, researchers and industry partners. The NMIS Insights series is aimed at providing Scotland’s manufacturing community with insights that can make a real impact.

See: [National Manufacturing Institute Scotland - YouTube]

Low Carbon Transport Business Loan

The Low Carbon Transport Business Loan offers Scottish businesses up to £150,000 interest-free to help reduce the carbon impact and fuel costs of their transportation through the purchase of new and more efficient vehicles. Limited companies are eligible for up to £150,000 of loan support, and sole traders or partnerships are eligible for up to £75,000 of loan support.

The loan is funded by Transport Scotland (an agency of the Scottish Government) and has a repayment term of up to 6 years.

The loan can be used for the purchase of:

- electric motorcycles and mopeds – maximum loan amount of £10,000

- electric car(s) – maximum loan amount of £30,000
- hydrogen car(s) – maximum loan amount of £50,000
- electric van(s) – maximum loan amount of £35,000
- electric HGV(s) – maximum loan amount of £75,000
- hydrogen vehicles – maximum loan amount of £75,000

If your organisation is seeking funds for an electric car, the maximum list price of the vehicle is capped at £50,000.

If your organisation is seeking funds for new electric or hydrogen cars, the vehicle must be used for high mileage operations, such as making deliveries.

Finally, if your organisation is seeking funds for a large electric or hydrogen vehicle, such as an e-bus, e-coach or electric Heavy Goods Vehicle (HGV), the loan will cover the cost – up to £75,000 – between the electric or hydrogen vehicle and its petrol or diesel equivalent.

See: Energy Saving Trust Business Transport Contact (est.org.uk)

Marine Fund Scotland

This fund supports investments and jobs in seafood sectors, the marine environment and coastal communities in Scotland. It replaces the European Maritime and Fisheries Fund (EMFF) following the UK's exit from the EU. The EMFF supported the sustainable growth of the marine economy in coastal communities, in sectors such as fishing, aquaculture and seafood processing.

The second year of the Marine Fund Scotland reflects Scotland's Blue Economy Vision which was published earlier in 2022.

If your project is in the following areas you could be eligible:

- commercial fishing
- aquaculture
- processing and marketing
- seafood-related operations at ports and harbours
- aspects of environmental protection and improvement of the marine environment within the scope of the categories above
- aspects of coastal community support where they directly relate to the categories above

Applications must set out clearly defined activities that will deliver measurable outcomes, which in turn will support agreed priorities for Scotland's marine economy.

The funding can support eligible individuals, businesses, organisations and communities to deliver projects which contribute to an innovative and sustainable marine economy, reducing carbon emissions and supporting coastal communities.

See: Marine and fisheries grants - gov.scot (www.gov.scot)

Switched on Taxis Loan

Interest-free loans of up to £150,000 are available to help owners and operators of hackney cabs (purpose-built taxis) or private hire taxis to replace their current vehicle with an eligible ultra-low emission vehicle. Limited companies are eligible for up to £150,000 of loan support, and sole traders or partnerships are eligible for up to £75,000 of loan support.

Hackney (purpose-built taxi) drivers:

The funded vehicle must be eligible for the Office for Zero Emission Vehicles (OZEV)'s plug-in grant. See: Low-emission vehicles eligible for a plug-in grant

You must have owned your current vehicle for at least 6 months before applying to replace it.

Private hire drivers only:

The maximum amount of loan support available to purchase one electric car is £30,000, or £35,000 for one electric van. The vehicle must cost £50,000 or less.

The loans are available from Energy Saving Trust, funded by Transport Scotland (an agency of the Scottish Government).

See: Energy Saving Trust Business Transport Contact (est.org.uk)

Used Electric Vehicle Loan for Businesses

In September 2020, the Low Carbon Transport Loan was extended to cover used electric vehicles. This means that Scottish businesses of all sizes can now receive financial support for the purchase of a used electric vehicle.

The interest-free Used Electric Vehicle Loan for businesses offers businesses in Scotland:

• up to £30,000 to cover the cost of purchasing a used electric car.
• up to £30,000 to cover the cost of purchasing a used electric van.
• up to £5,000 to cover the cost of purchasing a used electric motorcycle or moped.

If you operate as a limited company, the total funding available to your organisation is £90,000. If you operate as a sole trader or partnership, the total funding available is £75,000. Only used electric cars or vans sold for £30,000 or less, or used electric motorcycles or mopeds sold for £5,000 or less, are eligible for the loan.

The loan scheme is funded by Transport Scotland (an agency of the Scottish Government) and administered by Energy Saving Trust.

The Used Electric Vehicle Loan can be used by businesses that currently actively operate in Scotland. Your business must have been trading or operational for at least 12 months.

The vehicle should be purchased from a dealership. Acceptable dealerships include:

- a traditional dealership based in the UK where their sales are conducted in-person, as well as through their online platforms, which is either:
    - accredited by the Motor Ombudsman; or
    - part of a trade association signed up to the National Conciliation Service.
- a dealership operating solely online, which owns the vehicles for sale and has:
    - an up-to-date online presence,
    - a reputable customer support service,
    - a robust warranty procedure in place; and
    - transparently outlines on their website the vehicle's age, battery capacity, mileage and the interior and exterior condition of the vehicle on any sale document provided.

See: Used Electric Vehicle Loan for Businesses (findbusinesssupport.gov.scot)