

Written 10 October 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!

### Making Tax Digital (MTD) for income tax – Only 18 Months left to comply

Self-employed businesses, partnerships and landlords with annual gross business or property income above £10,000 will need to follow the rules for MTD for Income Tax from their next accounting period starting on or after 6 April 2024.



Making Tax Digital (MTD) is a government initiative to modernise HMRC's tax system, with the aim of making the whole process of administrating tax simpler and more efficient. All of your tax information will be in one place (your digital account) and you will be able to pay taxes based on your business activity during the year. You can upload and update your tax account in real time.

If you own a business or are self-employed and pay income tax, national insurance, VAT or corporation tax, then it is quite likely you will be affected. This means you could be required to keep track of your tax affairs digitally using MTD-compatible software, and update HMRC at least quarterly via your digital tax account. Eventually, this will abolish the annual tax return. This will be the law and there will be penalties for non-compliance.

MTD for Income Tax should become law from 6 April 2024. It will apply to the self-employed, partnerships and those who receive income from property, with gross income from these sources combined above a threshold of £10,000.

The government is running a pilot scheme where businesses can use the online service for Making Tax Digital for Income Tax.

See: [Sign up as an individual for Making Tax Digital for Income Tax - GOV.UK \(www.gov.uk\)](https://www.gov.uk/sign-up-making-tax-digital-income-tax)

### What should I do about MTD?

Talk to us - the good news is that you can reduce your running costs and streamline your accounting by complying with the new rules!

In the last two years, we have worked with many other clients to help them comply with MTD and streamline their accounting.

Just suppose you had a system where your bank feeds your data directly into your accounts on a DAILY basis and you can take a photo on your phone of a purchase invoice and it is posted automatically. You can see your results, who owes you money, who you owe money to and your business bank balance 24/7, 365 from your smartphone.

We have MTD-compliant cloud accounting packages that give you:

- A clear picture of your current financial position, in real-time.
- Automatic updates that mean you can spend more time doing what you enjoy.
- Your accounts 100% online, so there's no software to install and everything is backed up automatically. Updates are free and instantly available.

Please contact us about helping you to comply with the new rules. We are cloud accounting specialists and can train and support you with the right software.

### **Deferring October salaries to 6 November to reduce NICs – possible anti-avoidance**

In last week's newsletter, we suggested a possible strategy of delaying the end of October payroll run until after 5 November for certain employees to save NICs following the removal of the additional 1.25% for employees and employers from 6 November.

While such planning could be useful for delaying discretionary payments, such as bonuses and commissions, we should be alert to anti-avoidance provisions (in the form of Regulation 31 of the Social Security (Contributions) Regulations 2001 (SI 2001 No 1004)) that give HMRC the power to effectively reverse the planning and secure the NICs that would have been due had the regular payroll timing been maintained. Consequently, deferring the regular monthly salary is likely to be challenged by HMRC and we wouldn't recommend this course of action.

If you would like to discuss the timing of planned bonuses, commissions or other payments, where there is not a contractual payment date, please do get in touch.

## New form for notifying HMRC of VAT errors

HMRC have launched a new online G-form which will be the default option to notify them of errors in VAT returns.

This is for all VAT-registered businesses who wish to submit a VAT Error Correction Notice (ECN). Once submitted, a copy of the digital form will be captured into the Digital Mail Service (DMS) and processed as it is currently.

The new G-Form will streamline the current process, making it easier to notify HMRC about errors on VAT returns. It will enable businesses to:

- Upload supporting documentation.
- Provide explanatory notes.
- Save the form allowing them to complete it later.
- Receive confirmation of submission with a reference number.

It also will help to reduce mistakes through built-in validation and auto-calculations and capture more complete information.

See: [Tell HMRC about any errors in your VAT Return - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

## Start-up loans expanded

The UK Government has announced an enhancement to the eligibility criteria of the Start Up Loans initiative. The £884 million scheme, delivered by the British Business Bank, is designed to help innovative new businesses launch across the UK.

It now includes start-ups that have been trading for up to three years and second loans are now available to eligible businesses that have been trading for up to five years. The programme previously provided finance to start-ups which had been trading for up to two years.

The scheme has already delivered more than 97,000 loans worth £900 million to new business owners across the UK since 2012.

Start-up loans provide funding at a fixed interest rate of six per cent, as well as 12 months' mentoring to its recipients, further supporting aspiring business owners. The impact of the scheme has been particularly noticeable among individuals who might find it difficult to secure loans from traditional lenders.

See: [Start Up Loans - small businesses can borrow up to £25,000](http://www.gov.uk)

## First aid in work

Employers must make sure employees get immediate help if they are taken ill or are injured at work.

The law applies to every workplace and to the self-employed.

You must have:

- A suitably stocked first aid kit.
- An appointed person or people to take charge of first aid arrangements.
- Information for all employees telling them about first aid arrangements.

What 'adequate and appropriate' first aid arrangements are depend on the work you do and where you do it. You're best placed to understand the nature of your work, so you should assess what your first aid needs are.

You must consider:

- The type of work you do.
- Hazards and the likely risk of them causing harm.
- The size of your workforce.
- Work patterns of your staff.
- Holiday and other absences of those who will be first aiders and appointed persons.
- The history of accidents in your business.

You should have an "appointed person" who is in charge of your first aid arrangements. This includes looking after the equipment and the facilities and calling emergency services.

You can have more than one appointed person and they don't need to have any formal training.

An appointed person must always be available whenever people are at work.

The contents of your first aid kit should be based on your first aid needs assessment.  
See: [Basic advice on first aid at work](#)

If you are buying a kit, look for British Standard (BS) 8599. By law, your kit doesn't have to meet this standard, but you should check it contains what you've identified in your needs assessment.

You might decide that you need someone trained in first aid, sometimes known as a first aider. There are no hard and fast rules on how many trained first aiders you should have. It depends on the nature of your work and its location.

See: [First aid in work - What do you need to do? - Overview - HSE](#)

### **Businesses are advised to plan around expected Royal Mail strike action**

Businesses that use Royal Mail's services are urged to plan ahead as strike action is expected to take place this autumn.

If you use Royal Mail to deliver your goods, you should be aware of planned industrial action that is due to take place on:

- Thursday 13 October 2022
- Thursday 20 October 2022
- Tuesday 25 October 2022
- Monday 28 November 2022

There is also functional strike action planned which impacts parts of Royal Mail's operation on the following:

- Processing, Distribution, International, Collections, Admin: 3, 9, 15, 24 November and 1 December 2022
- Delivery: 4, 10, 16, 25 November and 2 December 2022
- Network: 2, 8, 14, 23, 30 November 2022

Royal Mail's services will be affected with delays to mail posted the day before, during or in the days after any strike action.

See: [Royal Mail strike updates | Royal Mail Group Ltd](#)

## **Innovation Loans Future Economy competition - round 6**

Innovate UK is offering up to £25 million in loans to micro, small and medium-sized enterprises (SMEs). Loans are for highly innovative, late-stage research and development (R&D) projects with the best potential for the future. There should be a clear route to commercialisation and economic impact.

Your project must lead to new products, processes or services that are significantly ahead of others currently available, or propose an innovative use of existing products, processes or services. It can also involve a new or innovative business model.

Innovate UK are particularly interested in projects that focus on the future economy areas included in the [Innovate UK plan for action](#).

You must be able to show that you:

- Need public funding.
- Can cover interest payments.
- Will be able to repay the loan on time.

You can apply for a loan between £100,000 and £2 million to fund your project's eligible costs.

Projects can last up to five years, including both the R&D and commercialisation phases. Projects are expected to start by 31 May 2023.

The funding available will be allocated across a series of competitions with the next round opening on the day the previous round closes.

See: [Competition overview - Innovation Loans Future Economy Competition – Round 6 - Innovation Funding Service \(apply-for-innovation-funding.service.gov.uk\)](https://apply-for-innovation-funding.service.gov.uk)

## Industrial Fuel Switching Competition Phase 2

The Department for Business, Energy & Industrial Strategy (BEIS) has launched Phase 2 of the Industrial Fuel Switching (IFS) Competition.

IFS aims to support the development of fuel switching and fuel switch enabling technologies for the UK industry. This includes fuel switches from high-carbon fuels to hydrogen, electricity, biomass, and other low-carbon fuels.

Phase 2 provides up to £49.4 million in funding with £1 million to £6 million available per project. Funding will be awarded through Small Business Research Initiative (SBRI) contracts, providing 100 per cent funding for pre-commercial solutions.

Funding is divided into 3 lots:

- Fuel switch and fuel switch enabling technologies for hydrogen
- Fuel switch and fuel switch enabling technologies for electrification
- Fuel switch and fuel switch enabling technologies for biomass, wastes, and other net zero compatible fuels

See: [Apply for the Industrial Fuel Switching Competition Phase 2: demonstration projects - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/apply-for-the-industrial-fuel-switching-competition-phase-2-demonstration-projects)

## R&D funding for application of XR in mental health care

Innovate UK is investing up to £4 million in innovation projects in the creative technologies sector.

The aim of this competition is to enable improved delivery of mental health and wellbeing services, through the application of immersive technologies such as augmented reality (AR), mixed reality (MR), virtual reality (VR), haptics, interfaces, platforms and software.

Projects must undertake research and development (R&D) in the application of extended reality (XR) to provide mental health care solutions. This would be specifically to explore how digital therapeutic content can provide positive mental health applications and outcomes for both young adults (aged 13 and above) and older adults.

Projects must demonstrate that the solution could be applied, trialled and ultimately adopted at scale, to provide a broad benefit to the UK mental health sector.

The funding will be allocated across two R&D streams:

- [Strand 1 for feasibility studies](#)
- [Strand 2 for industrial research](#)

Proposals must include the design and features of your solution and how it will be applied. Award sizes will be between £50,000 and £250,000.

Both strands of this competition close on 12 October 2022.

### **The small business category expanded**

Thousands of UK businesses will be released from reporting requirements and other regulations in the future.

Currently, small businesses are presumed to be exempt from certain regulations. However, many medium-sized businesses (those with between 50 and 249 employees) still report that they are spending over 22 staff days per month on average dealing with regulation, and over half of all businesses consider regulation to be a burden to their operations.

The prime minister has announced plans to widen these exemptions to businesses with fewer than 500 employees in the future.

Regulatory exemptions are often granted for SMEs, which the EU defines as below 250 employees.

The government states this exemption will be applied in a proportionate way to ensure workers' rights and other standards will be protected, while at the same time reducing the burden for growing businesses.

See: [Red tape cut for thousands of growing businesses - GOV.UK \(www.gov.uk\)](#)

### **Accessing help for the cost of living crisis**

A new website providing information on the wide range of advice and financial support available to people in Scotland has been launched.

Developed by the Scottish Government as a 'one-stop-shop' to help those struggling with the cost of living crisis, the website includes information on help available for households to meet rising energy, housing and other costs.

It also provides details on accessing Scottish and UK social security payments, including online benefit calculators, as well as wider health and wellbeing information.

As a Programme for Government 2022-23 commitment, it will be supported by a nationwide media campaign to raise awareness of the website and signpost people impacted by rising costs to the help available.

See: [Cost of living crisis - Cost of Living Support Scotland \(campaign.gov.scot\)](#)

## **Scottish Industrial Energy Transformation Fund (SIETF): guidance - competition three**

In October 2018, the UK Government announced plans, as part of the Industrial Strategy, to establish an Industrial Energy Transformation Fund (IETF) providing up to £315 million until at least 2024. This is part of a package of support for decarbonising energy-intensive industries (EII) alongside the Industrial Clusters Mission and Climate Change Agreements.

In 2020, Scottish Ministers opted to deliver a separate IETF in Scotland over a similar timeframe and announced that £34 million would be made available, via the Scottish Industrial Energy Transformation Fund (SIETF), for capital projects over the next five years. This represents an additional £8 million (or 30%) over the £26 million budget transfer from UK Government. The 2021 [Programme for Government](#) reinforced the contribution of this fund to connect strategic decarbonisation aims to investment at sites spread around the country, across a range of industrial sectors, enabling direct action to reduce carbon and improve industrial energy efficiency.

SIETF supports industrial sites with high energy use to transition to a low-carbon future. It will improve the international competitiveness of many companies whilst protecting jobs. The fund targets industrial processes, helping industry to:

- Cut energy bills by investing in more efficient technologies.
- Reduce emissions by bringing down the costs and risks associated with investing in decarbonisation technologies.

Funding is allocated through a competitive process aimed at supporting the highest-quality bids. The fund is open to a broad range of industrial manufacturing sectors and will support applicants both within and outside of industrial clusters. Decisions on funding awards are weighted towards energy and/or carbon savings, therefore it is primarily aimed at businesses with high energy use.

The third round of SIETF competitions has two competition calls open until 18 November 2022:

See: [Scottish Industrial Energy Transformation Fund: guidance - competition three - gov.scot \(www.gov.scot\)](#)

## **Payments make tree planting another option for agri sector**

Small areas of woodland on farms and crofts will soon attract funding supporting sustainable agriculture under planned changes to legislation. From November, small woodlands approved under the Scottish Rural Development Programme (SRDP) since 2015, can be utilised as Ecological Focus Areas to support farmers' Greening payments. The move will encourage farmers, crofters and land managers to increase

tree planting, providing environmental benefits including tackling climate change and nature loss.

Claims can be made from the 2023 claim year and areas planted since 1 January 2015 are eligible to be claimed from 2023.

The necessary legislative amendment is subject to Parliamentary approval.

See: [Payments make tree planting another option for agri sector - gov.scot \(www.gov.scot\)](https://www.gov.scot/Payments-make-tree-planting-another-option-for-agri-sector)

## **Business Gateway Connections Podcast**

In Business Gateway's latest podcast series, business owners and experts look at the current challenges facing businesses and discuss ways businesses can mitigate or adapt to these situations.

Over the course of the series, you can hear guidance and support on topics such as Covid-19, sustainability, apprenticeships, running a business as a young person, how businesses can navigate the challenges of the ongoing energy crisis and more.

See: [Business Gateway Connections Podcast | Business Gateway | Business Gateway \(bgateway.com\)](https://www.bgateway.com/Business-Gateway-Connections-Podcast)

## **Women's Business Centre**

The Women's Business Centre is a website designed to share knowledge, practical tips and experiences to help women across Scotland bring their business ideas to life and flourish as a business owner. The site is free to access and provides dedicated, needs-based content for women setting up their own enterprise.

If you are thinking of starting a business, a good place to start is the start-up checklist, which covers all the basics you'll need to consider when starting up.

If you want to feel inspired, the inspiration section is full of real-life stories from the Women's Enterprise Scotland Ambassadors, who share their personal experiences and business tips.

Learn and grow by searching the advice section, which covers everything from basic help to specialised guidance. Find help on finance, mentoring and support, strategy, marketing and much more, to guide you on your business journey.

There are also many other helpful resources on the site, such as the blog. This is filled with business tips, news and stories, along with webinars from expert speakers that cover a range of business topics.

A business directory is included to help women raise awareness and develop the profile of their businesses. You can request to list your business in the directory when you have become a member of the Women's Business Centre.

See: [Membership Sign Up - Womens Business Centre](#)