Written 21 June, 2021

BUSINESS NEWS SCOTLAND

Welcome to our round up of the latest business and Covid-19 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 through these tough times.

Covid-19 update

All over 18s will be scheduled for a vaccination dose by the end of next week.

All adults in Scotland will have been booked in for their first coronavirus (COVID-19) vaccine appointment by the end of next week (27 June), five weeks ahead of the target of 31 July.

Letters are currently going out to those 18-29 year olds who didn't sign up to the self-registration portal and anyone who hasn't yet received their blue envelope can see the time of their vaccination online through a new appointment checker.

The new system allows people to see their appointment details in the system and enables them to reschedule if the timing or location is unsuitable.

In addition, from Monday 21 June all NHS boards will be routinely scheduling second doses eight weeks after the first to help combat the emergence of the Delta variant.

A six-month extension of emergency measures granted under the Scottish Coronavirus Acts will be debated in Parliament this week.

The Coronavirus (Extension and Expiry) (Scotland) Bill was formally introduced to the Scottish Parliament today and will be scrutinised and debated by MSPs over three days from 22 June.

The Bill removes a number of measures no longer considered necessary to support the ongoing public health response and extends others beyond the original expiry date of 30 September 2021, subject to the agreement of Parliament, to 31 March 2022.

These include major changes to how the court system operates, as well as provisions to keep businesses and public services running during the pandemic and temporary changes to the law for debtors and tenants facing financial hardship.

The next stage in Scotland's lockdown rules looks likely to be delayed by three weeks. It had originally been hoped that the country could move to level zero of Covid restrictions on 28 June. A final decision will be taken this week.

Economic news

The Scottish economy contracted 1.9% in the first quarter of 2021. Change in gross domestic product (GDP) is the main indicator of economic growth. Over the year, compared to the first quarter of 2020, the economy has contracted by 5.4%. During the first quarter output in the Construction sector grew by 2.6%, output in Production grew by 1.3%, and output in the Services sector contracted by 3.0%. Hopefully, figures will improve over the next quarter as the economy bounces back.

See: Economy contracts 1.9% in the first quarter of 2021 - gov.scot (www.gov.scot)

Pension Contributions are tax efficient for employee and employer

Pension contributions to approved pension funds on behalf of employees and directors continue to be a tax-free benefit provided the annual input limit is not breached. The contributions are also deductible for the employer provided incurred wholly and exclusively for the purposes of the trade and paid before the end of the accounting period of the business.

For most taxpayers, the annual input limit is £40,000 and this limit includes contributions by the employee and contributions made by the employer on their behalf. It is also possible to take advantage of unused relief from the previous three fiscal years.

Payments into the pension by the employing business will be deductible against business profits. Currently this will only save 19% corporation tax but from 1 April 2023 will save 25% where profits exceed £250,000 and 26.5% where profits are between £50,000 and £250,000. Note that these limits are divided by the number of associated companies, i.e., under common control.

There are provisions for exceptionally large contributions where the deduction is spread over 2, 3 or 4 years.

Although the contribution on behalf of the employee or director may be tax free, they are generally not able to access the fund until age 55.

There have been several “schemes” devised over the years to exploit the pension rules.

HMRC warn employers not to use Unfunded Pension Arrangements

HMRC are currently attacking a marketed tax avoidance scheme using unfunded pension arrangements to avoid corporation tax, income tax and national insurance contributions.

HMRC strongly believes these arrangements do not work and will seek to challenge anyone promoting or using these arrangements and make sure the correct tax is paid.

The arrangements involve a company creating an unfunded pension obligation to pay one or more of their directors a pension. This is to create an expense in the company accounts to reduce the company’s profit. The intended result of this step is to reduce the amount of Corporation Tax payable.

With many of these arrangements, the company then transfers the pension obligation to a closely associated third party. The third party is usually a relative or colleague of the director due to receive the pension. The intended result of this step is a payment to the director or a closely associated third party, with no immediate liability to Income Tax and National Insurance contributions.

Users of these arrangements may pay considerable fees to use them yet may still have to repay the tax claimed to be avoided, as well as interest and a penalty.

Disguised remuneration: tax avoidance using unfunded pension arrangements (Spotlight 58) - GOV.UK (www.gov.uk)

HMRC Employer Bulletin June 2021

HMRC publishes the Employer Bulletin 6 times a year, giving employers and agents the latest information on topics and issues that may affect them.

June's bulletin covers updates and information on:

- COVID-19
- PAYE
- tax and changes to guidance
- customer support

Carbon Capture, Usage and Storage Competition

£20 million in grant funding for innovative projects to reduce the cost of deploying carbon capture, usage and storage technology is now available. The Department for Business, Energy and Industrial Strategy (BEIS) is looking to support the deployment of advanced carbon, capture, usage and storage (CCUS) technologies within the UK. Applications will open on 28 June 2021. You will have until 8 August 2021 to apply.

Up to £20 million grant funding will be available to:

- support innovation in novel CCUS technology increasing its technology readiness level (TRL)
- demonstrate and de-risk next generation CCUS technologies to allow it to deploy commercially from 2025
- reduce the cost of deploying CCUS and create competitive pressure on current available technology

Projects will be split into 2 lots:

- Lot 1 CCU: for projects primarily focused on developing technology for carbon capture and usage
- Lot 2 CCS: for projects primarily focused on developing technology for carbon capture and storage

Projects will be considered for grant applications of:

- up to £50,000 for industrial, waste or power sector companies performing analysis on next generation CCUS technology that are most suited to their site or industrial sector
- up to £1 million for projects developing and piloting mid-stage (TRL 3-5) CCUS technology

- up to £5 million for projects demonstrating late-stage (TRL to 6-8) CCUS technology at intermediate scale at site

  Find out more about the CCUS Innovation 2.0 Competition

COVID-19 GOVERNMENT SUPPORT NEWS

Below is our weekly roundup of changes to government support information generally and for businesses, employers and the self-employed.

Claim for wages through the Coronavirus Job Retention Scheme

Information about changes from 1 July 2021 has been added and claims for furlough days in June 2021 must be made by 14 July 2021.

The Coronavirus Job Retention Scheme has been extended until 30 September 2021. From 1 July 2021, the government will pay 70% of wages up to a maximum cap of £2187.50 for the hours the employee is on furlough.

Employers will top up employees' wages to make sure they receive 80% of wages (up to £2,500) in total for the hours the employee is on furlough. The caps are proportional to the hours not worked.

See: Claim for wages through the Coronavirus Job Retention Scheme - GOV.UK (www.gov.uk)

Kickstart Scheme grant

If you are an employer looking to create jobs for young people, you can apply for funding as part of the Kickstart Scheme.

The Kickstart Scheme provides funding to create new jobs for 16- to 24-year-olds on Universal Credit who are at risk of long-term unemployment. Employers of all sizes can apply for funding which covers:

- 100% of the National Minimum Wage (or the National Living Wage depending on the age of the participant) for 25 hours per week for a total of 6 months
- associated employer National Insurance contributions
- minimum automatic enrolment pension contributions

Employers can spread the job start dates up until 31 December 2021. You will get funding until 30 June 2022 if a young person starts their job on 31 December 2021.

Further funding is available to provide support so that young people on the scheme can get a job in the future.

There is now a link to a video walkthrough of the online application in the 'How to apply – Apply online' section.

See: Apply for a Kickstart Scheme grant - GOV.UK (www.gov.uk)

Kickstart Scheme employer resources

If you have been offered Kickstart Scheme funding, you can use these resources to show your support for the scheme.

See: [Kickstart Scheme employer resources - GOV.UK (www.gov.uk)]

Private providers of coronavirus (COVID-19) testing

The lists of and information about private providers who have self-declared that they meet the government's minimum standards for the type of commercial COVID-19 testing service they offer has been updated.

See: [Private providers of coronavirus (COVID-19) testing - GOV.UK (www.gov.uk)]

Support for students impacted by COVID-19

Students experiencing hardship over summer as a result of coronavirus (COVID-19) can apply for financial support if they are struggling to meet accommodation and other costs.

Backed by £20 million of new funding, students in financial hardship can apply directly to their college or university's Coronavirus Discretionary Fund.

The Scottish Government has also committed to review the future of summer support and the availability of funds will be monitored to ensure support remain available to students throughout summer.

See: [Support for students impacted by COVID-19 - gov.scot (www.gov.scot)]

National Transition Training Fund (NTTF).

An initial 25 projects designed to help meet skills needs in a range of sectors will receive a share of up to £20 million as part of the second phase of the NTTF.

The NTTF was created to support people who have lost their job or are at risk of redundancy as a result of the pandemic. Since being established in October 2020 it has helped over 6,000 individuals and this second phase of funding has the potential to provide more than 20,000 additional training opportunities.

The £20 million investment is targeted at sectors which need support to recover from the pandemic, to fill identified skills shortages or which have a key role to play in future economic transitions including to net zero. Projects include:

- aircraft decommissioning training for workers in the Aerospace sector
- support for people looking to transition into the childcare and adult social care sectors, as well as workers within the sector looking to move into a different role or gain promotion
- training for workers in cyber security to address skills gaps in the workforce allowing those already in the sector to progress and creating more entry-level positions for recruitment
- further support for the tourism and hospitality sector to address skills shortages and retain talent through investing in upskilling for future leaders
- upskilling and reskilling individuals in the construction sector with a focus on energy efficiency measures for older buildings
- transitioning people from industries affected by the pandemic into the screen sector and more specifically animation, special effects and games businesses which are growth sectors already increasingly hiring Scottish creative businesses

See: [Sustainable economic recovery - gov.scot (www.gov.scot)]

New fund opens for island communities

Businesses and community groups located across Scotland's inhabited islands are now able to apply for grants of up to £150,000 through the new Island Communities Fund (ICF) for projects focussed on supporting sustainable island economies and the journey towards net zero.

The £2 million Islands Green Recovery Programme was delivered last year as part of the wider £230 million capital stimulus package. It delivered 67 projects that reached across 29 different islands in six local authority areas and provided a 'real term' investment of more than £2.7 million.

The fund is backed by £2 million of Scottish Government funding, which comes from the £9.5 million committed to the Islands Programme for 2021-22.

Grant applications will be submitted through Inspiring Scotland, who will manage the fund. Applicants will be expected to put forward 'shovel-ready' island-based community-led projects and detail how it will contribute to a successful and sustainable future for the islands and support employment and community resilience.

See: New fund opens for island communities - gov.scot (www.gov.scot)