Written 14 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.

Latest economic news

UK gross domestic product (GDP) is estimated to have grown by 2.3% in April 2021, the fastest monthly growth since July 2020, as government restrictions affecting economic activity continued to ease. The service sector grew by 3.4% in April 2021, with consumer-facing services re-opening in line with the easing of coronavirus restrictions and more pupils returning to onsite lessons. April's GDP remains 3.7% below the pre-pandemic levels seen in February 2020, however it is now 1.2% above its initial recovery peak in October 2020.

See: GDP monthly estimate, UK - Office for National Statistics (ons.gov.uk)

The latest Office for National statistics Economic activity and social change report, Economic activity and social change in the UK, real-time indicators - Office for National Statistics (ons.gov.uk) shows that

- In the week to Monday 31 May 2021, the seven-day average estimate of UK seated diners was at 173% of its level in the same week of 2019, an increase of 41 percentage points from the previous week; this follows the reopening of indoor dining across all four home nations in May and continues the rebound in seated diner estimates observed since the first reopening of pubs and restaurants in April.
- The percentage of businesses currently trading has increased to 87% in late May (17 to 30 May 2021), the highest proportion since comparable estimates began in June 2020, with a further 3% of businesses intending to restart trading in the next two weeks.
- In the week to 29 May 2021, UK retail footfall saw a weekly increase of 7% and was at 73% of its level in the equivalent week of 2019; footfall at retail parks remained strongest as a proportion of its level in the same week of 2019 when compared with other retail locations at 92%, whereas the equivalent figures for shopping centres and high streets were 68% and 67%, respectively.

Clearly economic activity is increasing, and we are on the "Bounce back". We will have to wait for any announcements on the further reopening of the economy and there is some speculation that this will be delayed due to the concern over new variants of the virus.

Scams warning for tax credits customers

Tax credits customers should be vigilant and alert to potential scams, HM Revenue and Customs (HMRC) has warned.

Anyone doing their tax credits renewal who has received a tax or benefits scam email, or text might be tricked into thinking it was from HMRC and share their personal details with criminals, or even transfer money for a bogus overpayment.

Many scams mimic government messages to appear authentic and reassuring. HMRC is a familiar brand, which criminals abuse to add credibility to their scams.

If customers cannot verify the identity of a caller, HMRC recommends that you do not speak to them. Customers can check GOV.UK for HMRC's scams checklist to find out how to report tax scams and for information on how to recognise genuine HMRC contact.

Customers have until 31 July 2021 to notify HMRC of any change in circumstances that could affect their claims. If customers haven't received their renewal pack by 4 June 2021, they will need to contact HMRC.

Reminder - P11D Forms due by 6 July

Despite the coronavirus lockdowns, HMRC still expect P11D forms reporting expenses and benefits to be submitted by the normal 6 July deadline. Employers need to submit a P11D form to HMRC for each employee you've provided with expenses or benefits.

Employers also need to submit a P11D(b) form if:

- You have submitted any P11D forms
- You have paid employees' expenses or benefits through your payroll
- HMRC have asked you to - either by sending you a form or an email

Form P11D(b) tells HMRC how much Class 1A National Insurance (at 13.8%) you need to pay on all the expenses and benefits you've provided. The National Insurance on benefits is due by 19 July.

If HMRC have asked you to submit a P11D(b), you can tell them you do not owe Class 1A National Insurance by completing a declaration.

Remember that reimbursed expenses no longer need to be reported where they are incurred wholly, exclusively and necessarily in the performance of the employee's duties. Dispensations from reporting are no longer required, although HMRC would expect internal controls to be in place.

Note also that trivial benefits of no more than £50 provided to employees need not be reported. This typically covers gifts to employees at Christmas and on their birthdays.

Paying tax on benefits through your payroll

Employers can deduct and pay tax on most employee expenses through your payroll (sometimes called ‘payrolling’) as long as you have registered with HMRC before the start of the tax year (6 April). This can be particularly beneficial in the first year that a company car is provided to an employee as it means that they won’t get a big tax bill at the end of the year.

Employers do not need to submit a P11D form for an employee if you’re paying tax on all their benefits through your payroll. However, they still need to submit a P11D(b) form so they can pay any Class 1A National Insurance they owe.

Please contact us if you require any assistance.

Taxable benefit charge - returning office equipment

Employer provided equipment

If you have supplied your employees with office equipment to allow them to work from home, without a transfer of ownership, there is no tax charge when they return the equipment back to you. If you transfer the ownership of the equipment to the employee at any stage of their employment, a benefit charge generally arises on the market value of the equipment at the time of the transfer less any amount made good by the employee. There is an alternative method for calculating the chargeable benefit when equipment is transferred, more information on this method can be found in Employment Income Manual EIM21650.

Employer reimbursed equipment

If your employee has agreed to purchase their own home office equipment for use whilst working at home because of coronavirus and you reimburse the exact expense, unless you have specified to your employee that they must transfer ownership to you, the ownership of the equipment rests with your employee.

There is no benefit charge on the reimbursement. There is also no benefit charge if you allow your employee to keep the equipment as it is something that they already own. Further information and to check which expenses are taxable if your employee works from home due to coronavirus is available.

Please contact us if you need any help in this area.

New tool launched to support organisations achieve Cyber Essentials certification

The Cyber Essentials Readiness Tool, which has been developed by IASME on behalf of the National Cyber Security Centre – a part of Government Communication Head Quarters – asks organisations a series of questions related to the main Cyber Essentials criteria to help prepare them for certification.

Through the Cyber Essentials scheme, businesses can learn how to defend themselves by securing internet connections and devices, controlling access to data, and understanding how to protect against malware.

See: Readiness | (iasme.co.uk)

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.

Changes to the Coronavirus Job Retention Scheme (CJRS) from July

The UK Government will continue to pay 80% of your furloughed employees' usual wages for the hours not worked, up to a cap of £2,500 per month, to the end of June.

In July, CJRS grants will cover 70% of employees' usual wages for the hours not worked, up to a cap of £2,187.50. In August and September, this will then reduce to 60% of employees' usual wages up to a cap of £1,875.

You will need to pay the 10% difference in July, and 20% in August and September, so that you continue to pay your furloughed employees at least 80% of their usual wages for the hours they do not work during this time, up to a cap of £2,500 per month.

For the hours not worked you can choose to top up your employees' wages above the 80% level or cap for each month if you wish, at your own expense.

You can claim before, during or after you process your payroll. If you can, it is best to make a claim once you are sure of the exact number of hours your employees worked, so you don't have to amend your claim later.

Conditions of claiming CJRS grants

You must pay the associated employee tax and National Insurance contributions to HMRC. This is a condition of claiming the grant, and not doing so will mean you will need to repay the whole of the CJRS grant and you may not be able to claim future CJRS grants.

Flexibly furloughing employees

If your business continues to be affected by coronavirus, you do not need to place all your employees on full furlough. You can also use the CJRS flexibly if you bring your employees back to work for some of their usual hours. You can claim a portion of your employee's usual wage costs for the hours spent on furlough only.

As a reminder, you must not claim under the CJRS for any hours that your employees work. HMRC are carrying out compliance checks to identify error and fraud in claims.

Claims for furlough days in May 2021 must be made by 14 June 2021.

If you need help in planning ahead for future claim periods, please contact us.

For more on the CJRS see: Check which employees you can put on furlough to use the Coronavirus Job Retention Scheme - GOV.UK (www.gov.uk)

If you are making your own CJRS claims the template with the details of the employees, you are claiming for (on or after 27 May 2021) has been updated by HMRC.

See: [Download a template if you're claiming for 16 to 99 employees through the Coronavirus Job Retention Scheme - GOV.UK (www.gov.uk)]

VAT Deferral Reminder– join online by 21 June

The VAT deferral new payment scheme is open for all businesses who deferred paying VAT due between 20 March and 30 June 2020 and were unable to pay in full by 31 March 2021.

21 June is the last day you can join this scheme. If you join by this date you can apply to spread these payments across up to eight instalments.

You can join online here: [Pay VAT deferred due to coronavirus (COVID-19) - GOV.UK (www.gov.uk)]

If you have deferred paying VAT, you may be charged a 5% penalty and/or interest if you do not join the VAT deferral new payment scheme by the deadline of 21 June, pay in full by 30 June, or get in touch with HMRC to make an alternative arrangement to pay by 30 June 2021.

See: [One month left to join VAT Deferral New Payment Scheme - GOV.UK (www.gov.uk)]

Supporting people to get online

Around 23,000 people will be given new online skills and training to help improve their chances of securing a job or to reduce isolation.

The £26 million Connecting Scotland programme, which helps those on lower incomes and groups like the elderly, will offer online training skills as well as providing people with devices like iPads and Chromebooks, and unlimited data for two years.

This builds upon previous funding aimed at helping more people access the internet, including those who were at high risk from COVID-19, care home residents, disadvantaged families with children and young people leaving care. This latest funding also provides an existing group of 36,000 recipients with another year of unlimited data.

Organisations can apply for phase 3 funding until 5 July.

See: [Supporting people to get online - gov.scot (www.gov.scot)]

Strengthening links with Europe

Researchers based in Scotland and Europe can apply to a new £3 million scheme aimed at repairing research links with the EU following the damaging impact of Brexit.

Hundreds of European research and innovation projects are expected to benefit from the Scottish Government’s Saltire Research Awards. The fund, delivered via the Scottish

Funding Council and Royal Society of Edinburgh, will be open to all research disciplines including arts, humanities and social sciences and multidisciplinary projects.

See: Strengthening links with Europe - gov.scot (www.gov.scot)

Accelerating green growth

A new investment programme to help deliver Scotland's just transition to a net-zero emissions economy has been launched.

The Green Growth Accelerator will speed up delivery of low carbon infrastructure projects across Scotland and provide extra resources and technical support to local authorities to get projects off the ground more quickly. Once fully opened, the programme will unlock £200m of public sector investment to drive our transition to net zero – with further investment from private sector also anticipated.

Developed in collaboration with local government in Scotland - COSLA, it builds on the principles of the Growth Accelerator model which has already supported major economic investment opportunities including the St James Quarter in Edinburgh and the Waterfront in Dundee.

Applications are now open for six projects to help test the Green Growth Accelerator model. They will be developed with funding of £1m from the Scottish Government, who will work with COSLA and local authorities to learn from the first six projects ahead of a further roll out of the programme in 2022/23.

See: Accelerating green growth - gov.scot (www.gov.scot)