

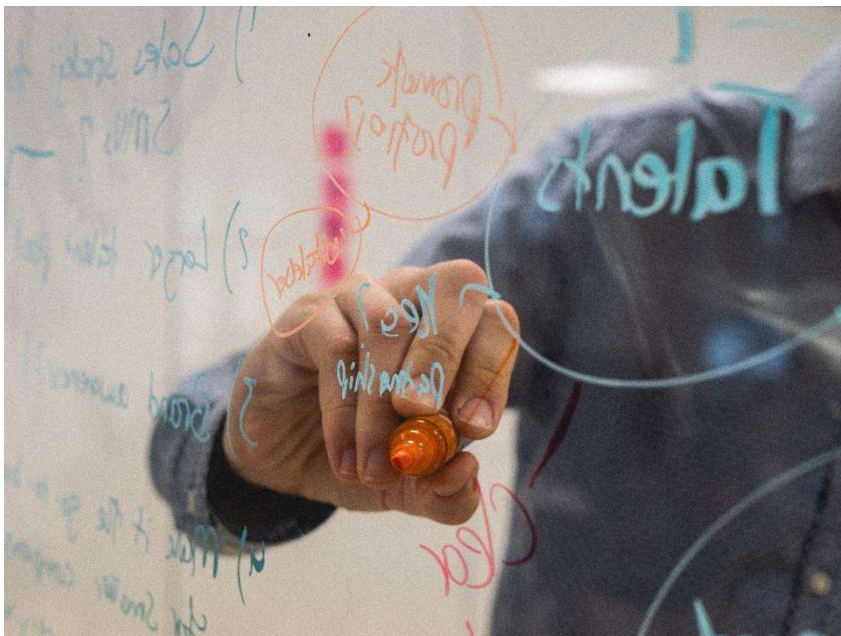
4 July 2022

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!

What are the characteristics of innovative businesses?

Innovation has generally been recognised as essential for value creation, both for individual companies and for the UK economy as a whole. The development of new ideas, processes and technologies and their flow across different sectors is a significant driver of economic growth and productivity. Recently, innovation has also been identified as crucial to the transition of the economy away from fossil fuels and carbon-intensive business activities.



There are many factors that affect whether and how businesses innovate, for example, the availability of skills and capital, and government policy measures such as tax incentives.

However, none are more important than the company's own culture, capabilities and internal systems – all of which are aspects of its governance. Unless companies are governed in a way that is conducive to innovation, they are unlikely to be in a position to take advantage of new opportunities.

Our most innovative clients share some key characteristics:

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- They invest in activities with uncertain outcomes, of which the likely commercial return is difficult to quantify and the risk of failure is higher than normal;
- They benefit from the availability of company-specific skills, which may be highly specialised;
- They have a culture which encourages flexibility, experimentation and a high level of individual decision-making; and
- They require a longer-term time investment horizon than many other kinds of business activity.

Research and development (R&D) is the process of taking an idea and transforming it into a fully-fledged product or procedure. R&D tax credits are a government incentive designed to encourage innovation across multiple industries. This is an opportunity for you to reduce your corporation tax bill or receive a refund from HMRC based on the number of working hours and relevant costs your business dedicates to research and development. Under the scheme, SMEs can claim back up to 33% of the costs associated with R&D.

If you are looking for long-term finance to support innovation, you will need to ensure your management accounts are up to date and provide detailed lists of debtors and creditors. You may also need to provide up-to-date projections before an expert will consider your application.

Please talk to us about R&D tax credits and long-term finance. Our independent experts have many years of experience and success in advising businesses across a wide range of sectors.

Increase in National Insurance thresholds

In the [Spring Statement 2022](#), the UK Government announced an increase in National Insurance thresholds affecting the 2022 to 2023 tax year.

We want to take the opportunity to remind our clients that the threshold changes will take effect from **6 July 2022**, meaning employees will pay National Insurance contributions on less of their income.

The primary threshold from 6 July 2022 to 5 April 2023 will be £242 per week and £1,048 per month, equivalent to £12,570 per year (increased from £9,880 per year). See the guidance [Rates and thresholds for employers](#) 2022 to 2023, 'Class 1 National Insurance thresholds' for further information.

The National Insurance lower profits limit for self-employed people has also increased in line with the changes for employees. The annual lower profits limit is now set to £11,908 for 2022 to 2023. This is equivalent to 13 weeks of the threshold

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at £9,880 and 39 weeks at £12,570, mirroring the position for employees. Self-employed people are also no longer required to pay Class 2 National Insurance contributions on profits between the Small Profits threshold (£6,725) and Lower Profits limit (£11,908), but they are still able to build National Insurance credits.

Please contact us about these changes – we are here to help!

Make sure to check your PAYE reference

If you make PAYE payments to HMRC, you should check that your payment reference number is correct every time. If you use an incorrect reference number, your payment may not be recognised. This can lead to penalties and charges being issued even if you paid on time, and you will need to call HMRC to correct any error.

A payment reference number is specific to the type of tax and the accounting period for which you are making a payment. The characters in your payment reference number tell HMRC where to allocate your payments, which helps them process your payments as quickly as possible.

Your online banking service may default to a previous payment reference so be sure to check this is right every time you pay HMRC.

HMRC want to help you get this right. You can use the [‘Pay now’ tool](#) to find the correct reference number to use each time.

Paying PAYE — where to find your reference

If you are paying on time for the current period, you will need to use your 13-character Accounts Office reference. You can find this on:

- the letter HMRC sent you when you first registered as an employer.
- the front of your payment booklet.
- the letter from HMRC that replaced the booklet.
- your [Business tax account](#) if you’ve already added Employer PAYE enrolment to it.

If you are not paying for the current period, you need to add 4 extra characters to the end of your Accounts Office reference. These final 4 characters will show the year and the month or quarter your payment is for. You will need to enter all 17 characters without any spaces:

- Characters 14 and 15 are for the tax year — for example, 22 for the tax year from 6 April 2021 to 5 April 2022, or 23 for the tax year from 6 April 2022 to 5 April 2023.

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- Characters 16 and 17 are for the tax month or quarter depending on how you pay — you can use the [‘Pay now’ tool](#) to find out which characters to include.

Each tax period has a different payment reference number so it’s important to make separate payments for each period.

For example, to pay for the month ending 5 June 2022 (month 2 of the 2022 to 2023 tax year), add the 4 extra characters 2302 to the end of your Accounts Office reference — 23 to tell HMRC it’s for the tax year ending 5 April 2023 and 02 to tell them it’s for month 2.

Further help and support can be found on making a PAYE payment here: [Pay employers' PAYE: Overview - GOV.UK \(www.gov.uk\)](#)

P11D and P11D(b) filing and Traineeships – would your business benefit from a new generation of talent?

The talent shortage continues to place a burden on the economy. As companies struggle to find the talent they need, now is the time to invest in new and more strategic approaches to developing an early talent pipeline. One way of bringing in new talent is through traineeships.

A traineeship is a work-based skills development programme that includes a work placement. There is a free government scheme (outlined below), although you may have your own business costs. Some employers may choose to pay the wages and expenses such as travel and living costs.



The full programme can last from 6 weeks to 1 year, though most traineeships last for between 6 weeks and 12 weeks. Your business needs to be able to offer a work experience placement between 70 to 240 hours. You work with a training provider to design what is included in the programme. Trainees can gain English, maths and work-related qualifications which can lead them on to:

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- an apprenticeship
- work
- further education

Employers need to provide:

- a safe, meaningful and high-quality work experience placement.
- a minimum of 70 hours of work experience placement throughout the entire traineeship (if the trainee claims benefits, the placement cannot last longer than 240 hours).
- constructive feedback and advice to the trainee.
- an interview for an apprenticeship or job in their organisation at the end of the traineeship if one is available.
- an exit interview at the end of the traineeship with meaningful written feedback if no job is available.

Traineeships can benefit your business by:

- providing a stepping-stone for your future apprentices.
- allowing you to test out a new position in your business without committing to full-time hires.
- attracting a new generation of talent.
- offering financial incentives of up to £1,000 per trainee.

If you are interested in offering a work placement for a traineeship:

- [Contact the National Apprenticeship Service](#) to register your interest and ask for advice and support on traineeships. They can help you set up a traineeship and advertise it on [Find a traineeship](#).
- [Partner with a training provider](#) who will help you to design a traineeship that will meet your business needs. They will also advertise the work experience placement for you.
- Agree with the trainee and your training provider about what each of you expects from the traineeship.

See: [Traineeship information for employers - GOV.UK \(www.gov.uk\)](#)

Beware of “Rogue” R&D consultants

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In recent years, HMRC has identified and successfully challenged several false claims for Research and Development (R&D) tax credit relief made by purported R&D Consultants. Many of these claims have been for projects that did not satisfy the criteria for the tax relief and some included overstated expenditure and consequently have been abusing the scheme.

This is a generous tax break. As a Small or Medium-sized Entity (SME), the expenditure qualifies for a tax deduction of 230% of the amount spent which can then be traded in for a tax refund of 14.5% where the company is loss-making. Thus, £100,000 of qualifying R&D expenditure would potentially result in a tax refund to a loss-making company of £33,350 and many of these R&D consultants charge a fee based on the amount of the claim.

The work that qualifies for R&D relief must be part of a specific project to make an advance in science or technology. It cannot be an advance within a social science - like economics - or a theoretical field - such as pure maths.

The project must relate to your company's trade - either an existing one or one that you intend to start up based on the results of the R&D.

To get R&D relief you need to explain how a project:

- looked for an advance in science and technology.
- had to overcome uncertainty.
- tried to overcome this uncertainty.
- could not be easily worked out by a professional in the field.

For more details, see: [Claiming Research and Development tax reliefs - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/claiming-research-and-development-tax-reliefs)

The number of spurious claims has resulted in HMRC notifying some accounting firms that they are temporarily suspending repayments and requesting additional information to support the R&D claims. HMRC have even started writing to companies alleging that their R&D claim may be fraudulent.

Please contact us if you would like to discuss whether any of the projects carried out by your company potentially qualify for R&D tax relief. Also, let us know if you are contacted by an organisation claiming to be R&D consultants and we can check whether they are legitimate.

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Fraud and scam protection for companies

Companies House incorporate and dissolve limited companies. They register company information and make it available to the public. They have recently updated their guidance on how to protect your company from fraud and scams and how to report it:

- [Register for online filing](#)
- [Keep your authentication code safe](#)
- [Sign up to our PROOF scheme](#)
- [Use our free Follow service](#)
- [Choose the right correspondence address](#)
- [Check website addresses are genuine](#)
- [Be aware of scam emails and telephone calls](#)
- [Report fraud](#)
- [Unregistered cryptoasset businesses](#)

See: [Companies House - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

Help to Grow: Management scheme – programme changes

The Help to Grow: Management scheme now offers business leaders 50 hours of leadership and management training across 12 weeks, and covers 90% of the costs involved.

This means that from £750, business leaders can benefit from one-to-one support from a business mentor, access to a network of like-minded business leaders, and a bespoke growth plan to help the business reach its full potential.

The scheme offers development opportunities for leaders and their staff, boosting productivity and growing their companies which can lead to more high-skill, high-wage jobs.

Businesses with 10 or more employees are now eligible to have up to 2 participants join the scheme. Additionally, previous participants in the Small Business Leadership Programme will now be eligible to join the management programme.

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It has recently been announced that top names including Santander, Vodafone and award-winning mentor Herman Stewart have signed up as volunteer mentors to support the Help to Grow: Management course.

See: [More business leaders to benefit from Help to Grow: Management scheme - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/more-business-leaders-to-benefit-from-help-to-grow-management-scheme)

Do you know anyone starting a business?

Then ask us about our comprehensive guide to the financial, tax and accounting considerations of starting a business, "The New Business Kit" which we offer free to start-ups or those who have recently made the jump into business ownership.



The guide helps start-ups think about:

- Selecting a legal entity;
- Registering with the tax authorities;
- Accounting and bookkeeping;
- Value Added Tax;
- Payroll taxes and pensions;
- Income and corporation tax;
- Cash planning and forecasting;

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- Insurance;
- Selecting professional advisers; and
- Digital accounting systems.

In addition, there is a section of useful names, addresses and telephone numbers.

just ask – it's free!

Driving and riding safely for work – guidance from HSE

For most people, driving or riding will be the most dangerous work activity they do. Around one-third of all road traffic collisions (RTCs) in Britain involve someone driving or riding as part of their job and countless other RTCs involve people travelling to or from their workplace.

Although the risks cannot be completely controlled, employers or companies (including those in the construction sector) who engage drivers and riders must take all reasonable steps to manage these risks and do everything practicable to protect people from harm.

The Health and Safety Executive's (HSE) webpages were created following HSE and Department of Transport consultation with stakeholders.

They contain clear, simple advice for employers and those who engage drivers and riders on how to make sure the journey, driver and vehicle are safe. It also outlines guidance for those who drive and ride for work on their responsibilities.

See: [Driving and riding safely for work - HSE](#)

Commercialising Connected and Automated Mobility: Deployments

The 'Commercialising Connected and Automated Mobility' competition, which is run by the Centre for Connected and Autonomous Vehicles (CCAV), will provide grants to help roll out commercial use of self-driving vehicles across the UK from 2025, delivering convenience for consumers and making journeys safer, greener and more reliable.

UK-registered organisations can apply for a share of up to £40 million of CCAV competition funding, supporting new automated transport service projects.

The competition will help bring together companies and investors so that sustainable business models to be rolled out nationally and exported globally.

Types of self-driving vehicles that could be deployed include:

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- delivery vans
- passenger buses
- shuttles and pods
- vehicles that move people and luggage at airports and containers at shipping ports.

The competition closes at 11am on 20 July 2022.

See: [Competition overview - Commercialising Connected and Automated Mobility: Deployments - Innovation Funding Service \(apply-for-innovation-funding.service.gov.uk\)](#)

Protecting pregnant workers and new mothers

The Health and Safety Executive (HSE) advice has recently changed, and employers must now carry out an individual risk assessment for pregnant workers and new mothers.

There will be little practical change as you must already consider risks to women of childbearing age in any general health and safety risk assessment.

The difference is that you must also carry out an individual risk assessment that covers a worker's specific needs when they inform you in writing that they:

- are pregnant;
- have given birth in the last 6 months; or
- are breastfeeding.

See: [Protecting pregnant workers and new mothers - Overview - HSE](#)

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