

Written 27 June 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:

- 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 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.
- 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 \(www.gov.uk\)](https://www.gov.uk/pay-employers-payee-overview)

### **P11D and P11D(b) filing and payment deadlines**

It's important to tell HMRC about any Class 1A National Insurance contributions that you owe for the tax year ending 5 April 2022 by 6 July 2022 at the latest. You also need to send them any P11D forms due by 6 July 2022. Failure to do so may result in a penalty. Any Class 1A National Insurance you owe must reach HMRC by 22 July 2022.

Remember, it's important that you complete your P11D forms correctly the first time. If you make a mistake, it's time-consuming to correct and your employees will pay the wrong tax in the meantime.

Further guidance is available here: [how to complete forms P11D and P11D\(b\)](#)

### **Employers: make sure your contact details are up to date for The Pensions Regulator**

As an employer, you have automatic enrolment responsibilities. The Pensions Regulator (TPR) writes to you as an employer to keep you up to date with the automatic enrolment tasks you need to complete and when they need to be completed, so it's important that they hold your latest contact details.

Due to the pandemic or other reasons, your working situation may have changed. For example, you may have changed offices or are now mainly working from home.

You should ensure The Pensions Regulator has the most up-to-date contact information for you (postal address and email) so you can receive the relevant correspondence. Ensure your contact details are up to date using The Pensions Regulator's nominate a contact form.

You should provide an 'employer contact' (this should be the business owner or most senior person) and an 'additional contact', who will receive The Pensions Regulator's task-specific emails. This additional contact could be your adviser.

Automatic enrolment is an ongoing legal responsibility for employers. If you do not receive the relevant correspondence from The Pensions Regulator, you may miss necessary tasks and risk a fine for failure to comply. Take a few minutes now to check and update your contact details using The Pensions Regulator's [nominate a contact](#) form.

## Claiming tax relief on work expenses

The cost of living increase means it's never been more important for your employees to claim tax relief on work-related expenses. HMRC want to encourage employees to claim money they are entitled to using the HMRC online service.

You can support HMRC and your employees by passing on the useful messages below using your internal newsletters, websites, meetings, notice boards and other communication routes.

### Message to employees

Some employees can get tax relief on expenses their employer has not reimbursed them for. This includes things like:

- uniforms and work clothing
- equipment purchases
- professional fees and subscriptions
- using their own vehicles for work travel (excluding their journey from home to work)
- working from home

The first step in making a claim is to check if you are eligible using the [eligibility checker](#). If you qualify, then you can go ahead and make a claim using your Government Gateway account. If you do not have a [Government Gateway account](#), it is easy to set one up. Submitting a claim is quick and straightforward.

There are also other ways to make sure you keep more cash in your pocket, such as Tax-Free Childcare, marriage allowance, Child Benefit and more. [You can check what financial support is available from HMRC](#). Make sure you do not miss out!

## Tax-Free Childcare: help for your employees

Tax-Free Childcare can help your employees pay for [approved childcare](#) across the UK, including nannies and childminders, before and after school clubs and nurseries.

For every £8 a parent pays into their Tax-Free Childcare account, the government adds £2.

Eligible parents with children under 12 could get up to £2,000 per child, per year or up to £4,000 for each disabled child under 17.

Your employees can learn more about [Tax-Free Childcare](#) and the support available.

## **Fast Start: Innovation competition**

Innovate UK is offering small and micro businesses a share of up to £30 million in grants for affordable, adoptable and investable innovations in net zero and healthcare

Businesses can apply for up to £50,000 for highly innovative ideas that have a clear route to commercialisation through business growth.

The ideas must focus on one of two challenge themes:

1. Achieving net zero and reducing environmental impact.
2. Self-driven healthcare, de-centralised healthcare and mental wellbeing.

Within those themes, projects should explore how one or more of the seven UK Innovation Strategy technology areas can enable affordable, adoptable, and investible solutions. These areas are:

- advanced materials and manufacturing.
- AI, digital and advanced computing.
- bioinformatics and genomics.
- engineering biology.
- electronics, photonics and quantum.
- energy and environmental technologies.
- robotics and smart machines.

To be eligible, projects 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.

This funding is for small and micro businesses only. Eligible companies can apply for a grant of between £25,000 and £50,000. If you receive an award, you will be contacted about working with an innovation and growth specialist at Innovate UK EDGE. This service forms part of the funded offer to you.

See: [Competition overview - Fast Start: Innovation - Innovation Funding Service \(apply-for-innovation-funding.service.gov.uk\)](https://www.innovateuk.com/apply-for-innovation-funding)

## **Funding for greenhouse gas removal innovations**

A new Innovate UK-funded Small Business Research Initiative (SBRI) competition will open on Monday 27 June 2022 as part of the Strategic Priorities Fund Greenhouse Gas Removal Demonstrators programme.

The competition aims to support the development of innovative monitoring, reporting and verification (MRV) tools and techniques to assess the effectiveness of land-based greenhouse gas removal (GGR).

You can use a variety of tools, technologies and techniques to assist and enable robust MRV of land-based GGR techniques. For example:

- digital solutions
- remote sensing or monitoring
- databases
- online tools
- measurement tools
- accreditation schemes

This list is not exhaustive. Innovate UK would welcome any proposals that can make a significant contribution to the MRV of land-based GGR.

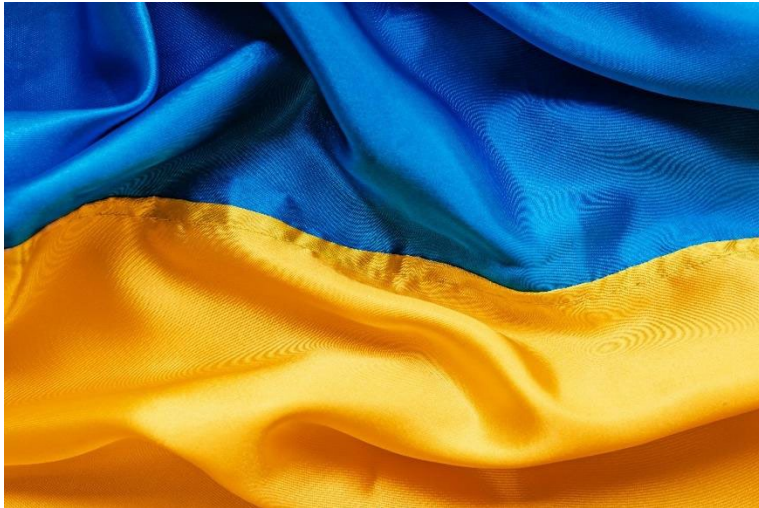
A total of up to £375,000 (inclusive of VAT) is allocated to phase 1 of this competition. Phase 1 feasibility study research and development contracts will be up to £75,000 (inclusive of VAT) for each project for up to three months. Up to six projects are expected to be funded.

A potential phase 2 could involve up to two contracts being awarded to organisations chosen from the successful phase 1 applicants. It is expected that up to £312,500 (inclusive of VAT) will be allocated for each contract to develop a prototype and undertake field testing for up to 12 months.

See: [Competition overview - SBRI: MRV tools and techniques for land based greenhouse gas removal, phase 1 - Innovation Funding Service \(apply-for-innovation-funding.service.gov.uk\)](https://www.innovation-funding.service.gov.uk/competition-overview-sbri-mrv-tools-and-techniques-for-land-based-greenhouse-gas-removal-phase-1)

### **Guidance for businesses offering work to people coming from Ukraine**

The UK Government has published guidance for businesses considering making offers of employment to people coming to the UK from Ukraine.



If you are offering employment opportunities, you will need to complete the [Vacancy information questionnaire](#). After you have returned the questionnaire to [offerwork@homeoffice.gov.uk](mailto:offerwork@homeoffice.gov.uk), your organisation will be contacted by the National Employer and Partnership Team in the Department for Work and Pensions within 5 working days to discuss the roles available.

Job opportunities will then be shared across the DWP Jobcentre Plus network and with the Refugee Employment Network (REN), a charity which works with organisations across the UK to support refugees in finding work.

See: [Guidance for businesses offering work to people coming from Ukraine - GOV.UK \(www.gov.uk\)](#)