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BUSINESS MATTERS

Addressing the UK's skills gap

Both the government and employers have long battled to close the UK skills gap. However, many employers report that they often struggle to fill vacancies with skilled candidates.

To help address the issue, the government recently announced the Lifetime Skills Guarantee, which will create an education and training system for over 16s and adults. Here, we take a look at the plans in greater detail.

Repairing the UK labour market

Significant damage was done to the UK labour market as a result of the coronavirus (COVID-19) pandemic. As a consequence, fears of a 'brittle' UK workforce lacking key skills required by the economy have arisen.

The problem is being made worse by employers failing to use Apprenticeship Levy funds. Research carried out by manufacturers' organisation Make UK recently found that a record level of Apprenticeship Levy funds expired in 2020 without being spent by businesses. £1,039 million in Levy funds expired in the nine months to May 2020, the research revealed. Expired Apprenticeship Levy funds cannot be used.

Lifetime Skills Guarantee

On 9 December 2020, the government announced its Lifetime Skills Guarantee (LSG), which aims to transform the UK skills system to ensure more people, regardless of age or background, can obtain the skills they require to progress in their career. The LSG also aims to ensure employers have access to the skilled workforce they need.

The LSG is funded by the £2.5 billion National Skills Fund (which applies in England), and will help adults to gain new qualifications and access job opportunities. The LSG includes a new student finance system, giving every adult access to a flexible Lifelong Loan Entitlement for higher-level education and training at either university or college. This can be used at any point throughout their lives. Additionally, employers will be able to take a statutory role in planning publicly-funded training programmes in collaboration with education providers.

Under the LSG programme, adults can obtain a range of qualifications in a variety of different industries, from engineering to social care. The government aims to ensure more people are trained to fill the skills gaps that currently exist in the UK labour market.

In addition to the free courses, adults can also take advantage of so-called Skills Bootcamps which offer flexible courses lasting up to 16 weeks, covering areas such as construction, digital and technical. The bootcamps provide the opportunity to learn specific skills and fast-track participants to an interview with a local employer.

Kickstarting job opportunities

In 2020, the government's £2 billion Kickstart Scheme opened for employer applications. The scheme aims to create placements for young people who are at risk of becoming long-term unemployed. Those businesses wishing to join the scheme stand to benefit from funding which covers 100% of the National Minimum Wage (NMW) or the National Living Wage (NLW) for 25 hours a week for six months, plus the associated employer national insurance contributions (NICs) and automatic enrolment pension contributions. Claimants are also entitled to claim £1,500 per job for setup costs and supporting the young person to develop their employability skills.

Unemployed young people on Universal Credit will be offered six-month work placements for at least 25 hours a week. The government hopes these placements will help them to gain work experience, confidence and workplace skills.

As the UK economy recovers from the COVID-19 pandemic, businesses seeking to expand their workforce are encouraged to make use of government support where it is available. Here we have highlighted a small selection of the schemes open to employers.

Inside this issue

Holiday. Leave. COVID-19.

As the economy starts to reopen, how flexible do employers have to be when it comes to time off for staff?

Almost all workers, including zero-hour contracted workers and people on irregular hours contracts, are legally entitled to 5.6 weeks' paid holiday each year. Ideally, this should be taken in the current leave year. Staff should be encouraged to book and take paid holiday, spread throughout the year, if at all possible. But in the context of the COVID-19 pandemic, there may be unusual factors to take into account, both for you and your workforce. Making up for lost time could be the employer number one priority, where employees may be desperate for a break. Whatever the scenario, it's likely that good communication, plus a degree of flexibility on both sides, will secure the best outcome.

Where it's not possible for employees to take all the holiday they are due during the holiday year because of COVID-19, special provisions are in place to allow them to carry some holiday entitlement forward. Up to four weeks of statutory paid holiday can be carried over into the next two holiday leave years. When calculating how much holiday can be carried over, you need to give workers the opportunity to take any leave that they can't carry forward before the end of the leave year. Workers who can't take annual leave because they are on maternity leave or sick leave, still have the right to carry their annual leave forward.

There is no statutory requirement to give staff notice that they can carry holiday forward if they don't use it. But it would be unlawful to prevent workers from taking holiday to which they are entitled, and best practice would suggest telling workers of the need to carry forward, and how much leave this covers.

If you have staff on furlough, they can take holiday as normal, with your permission. Their holiday pay needs to be based on what they would earn if they were working. If that's higher than their pay while they're furloughed, it falls to you to make up the difference. But you are still able to claim through the furlough scheme for the holiday period. Taking holiday does not break the furlough period.

Can you require employees to take leave? The answer is yes. Employers can require that certain days are taken as holiday, provided that the correct period of notice is given. If, for example, you want employees to take six days off, they must be notified 12 days in advance. Similarly, employers can cancel paid holiday time that has been booked. This must also be done within a particular timeframe. If your employee has booked six days holiday, you must tell them you need to cancel it at least six days before the holiday was due to start.

Finally, what if an employee wants time off in an emergency to look after a dependant? This is another area where there is a right to time off. There isn't a statutory right to pay, and the amount of time provided must be reasonable, given the situation.

Please don't hesitate to contact us for further advice on any of the issues covered here.

Trading loss, cashflow gain?

Temporary change to the rules on carrying back trade losses was announced in Budget 2021. Unlocking such tax relief could be a considerable cashflow plus for businesses hit by the pandemic.

The new rules extend the period over which losses can be carried back for relief against profits of earlier years. This becomes three years rather than the usual one year. For unincorporated businesses, it affects the tax years 2020/21 and 2021/22. For companies, this covers losses arising in accounting periods ending between 1 April 2020 and 31 March 2022.

- Claims for a loss can be made once the extent of the loss has been established.
- The claim must be for an amount which is quantified at the time the claim is made. This is usually done in the corporation tax (CT) return.
- Claims that are more than the £200,000 de minimis limit will be made this way. Details of the carry back claim will be included in the computations accompanying your accounts and CT return.
- No need to submit amended returns for earlier periods to which the relief applies for you: the claim will be treated as constituting an amendment, where relevant.
- Claims below the de minimis £200,000 limit can be made as a stand-alone exercise, outside the corporation tax cycle.
- Claims to the extended loss relief must be made within two years of the end of the accounting period in which the loss being carried back arises.

We look forward to working with you to action such a claim where this is appropriate.

Beware the scammers

The coronavirus (COVID-19) pandemic has created more opportunities for fraudsters and scammers to attack businesses, taxpayers and savers.

Online scams rose last year as criminals exploited COVID and the aftermath of Brexit, according to the National Cyber Security Centre (NCSC).

Scamming the taxman

The HMRC figures show an increase of fraudulent activity across all three communication types – emails, SMS and phone.

HMRC itself was the most targeted by phishing attacks among government departments.

Always check

HMRC advises using the following checklist to decide if the contact you've received is a scam. Is the communication:

- unexpected?
- offering a refund, tax rebate or grant?
- asking for personal information, such as bank details?
- threatening?
- requesting you to transfer money?

Import/export red tape

According to the NCSC, attempts to clone part of the gov.uk website were identified in December 2020. In addition, the increase in red tape being experienced by importers and exporters this year is expected to create opportunities for scammers.

Devastating pension savers

Pension savers have long been a target of scammers and losses from pension fraud rose to £1.8 million in the first three months of this year, according to figures from Action Fraud.

Pension scams often include free pension reviews, 'too good to be true' investment opportunities and offers to help release money from your pension, even for under 55s, which is not permitted under the pension freedom rules.

Protection from pension scams

Action Fraud says you should reject unexpected pension opportunities, such as free pension reviews or investment opportunities involving your pension, whether made via email, social media, text or over the phone.

Research who you're dealing with before changing your pension arrangements, and check with the Financial Conduct Authority (FCA) to see if the firm is authorised.

Don't be rushed or pressured into making any decisions about your pension – consider seeking impartial information and advice.

Every taxpayer, saver and business is a potential target, so always check before you respond to messages, even if they appear to be genuine.

Business Round-up

Fifth SEISS grant opens to claims from late July

The fifth Self-employment Income Support Scheme (SEISS) grant covering May 2021 to September 2021 will open to claims from late July, HMRC has confirmed.

To be eligible for the grant, an individual must be self-employed or a member of a partnership. They must have traded in the tax year 2019/2020 and submitted their tax return on or before 2 March 2021, and also have traded in the tax year 2020/21.

The amount of the fifth grant will be determined by how much an individual's turnover has been reduced in the year April 2020 to April 2021.

HMRC will provide more information and support by the end of June 2021 to help individuals work out how their turnover was affected.

The online claims service for the fifth SEISS grant will be open from late July 2021. In mid-July HMRC will contact individuals who are eligible based on their tax returns to give them a date from which they can make their claim.

Finance Act receives Royal Assent

Royal Assent of Finance Act 2021 was granted on 10 June, bringing the extended loss carry-back, the capital allowances super-deduction and other measures into effect.

Now Royal Assent has been granted it will prompt the issue of commencement orders for provisions, including the 130% capital allowances super-deduction for companies; the Plastic Packaging Tax; penalties for late filing of tax returns; penalties for late payment of tax; and VAT late payment and repayment interest.

The government tabled amendments to the super-deduction in Finance Act 2021.

Chancellor Rishi Sunak used the 2021 Budget to announce temporary capital allowances. These provide an increased incentive to invest in plant and machinery.

The new super-deduction allows companies investing in qualifying new plant and machinery to benefit from new first-year capital allowances.

Under the measure, a company will be allowed to claim a super-deduction providing allowances of 130% on most new plant and machinery investments that ordinarily qualify for 18% main rate writing down allowances, and a first-year allowance of 50% on most new plant and machinery investments that ordinarily qualify for 6% special rate writing down allowances. This relief is available between 1 April 2021 and 31 March 2023 and is not available for unincorporated businesses.

The amendments to Finance Act 2021 permit landlord lessors to claim the super-deduction. Landlord lessors were initially excluded from claiming the deduction.

Tax Tip

Understanding VAT collection schemes

As importers and exporters continue to get to grips with post-Brexit trade, import taxes and VAT changes, businesses should note that the One Stop Shop introduces three schemes which were launched on 1 July to deal with B2C supplies of goods and services to EU customers.

They are known as the 'Union', 'non-Union' and 'import' schemes. The schemes are designed to facilitate the collection of VAT by one EU member state, which is then passed on to the member state in which the supply is deemed to take place.

If businesses register for VAT using one of these schemes, they will complete one return for all EU sales, rather than being required to register for VAT in all member states in which your customers are based. These schemes will allow businesses to declare sales across all EU member states.

Reminders for your diary

August 2021

2 Deadline for submitting P46(Car) for employees whose car/fuel benefits changed during the quarter to 5 July 2021.

19 PAYE, Student loan and CIS deductions are due for the month to 5 August 2021.

September 2021

1 New Advisory Fuel Rates (AFR) for company car users apply from today.

19 PAYE, Student loan and CIS deductions are due for the month to 5 September 2021.

30 End of CT61 quarterly period.

October 2021

1 Due date for payment of Corporation Tax for period ended 31 December 2020.

5 Deadline for notifying HMRC of new sources of taxable income or gains or liability to the High Income Child Benefit Charge for 2020/21 if no tax return has been issued.

14 Due date for income tax for the CT61 quarter to 30 September 2021.

19 Tax and NICs due under a 2020/21 PAYE Settlement Agreement.

PAYE, Student loan and CIS deductions are due for the month to 5 October 2021.

PAYE quarterly payments are due for small employers for the pay periods 6 July 2021 to 5 October 2021.

31 Deadline for submitting 'paper' 2020/21 self assessment returns.