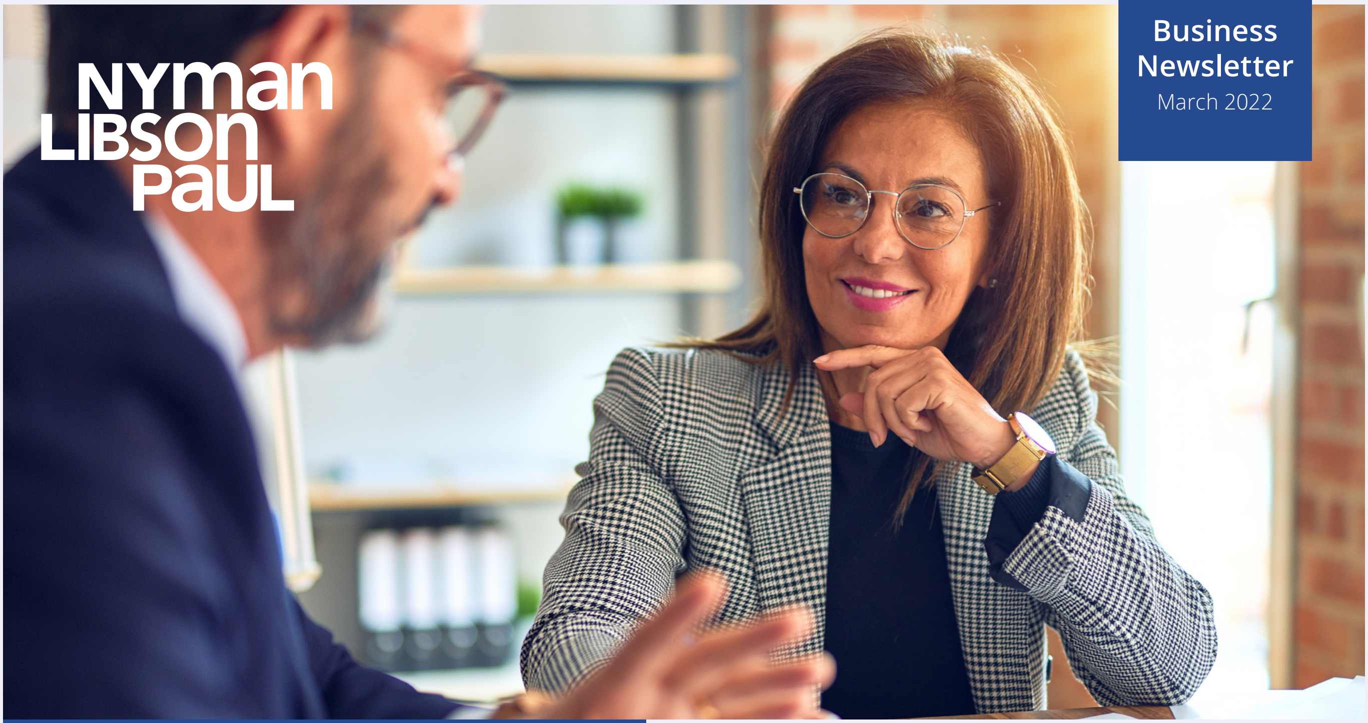

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Business Newsletter
March 2022

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Hybrid working – is flexibility the future?

The experience of the past couple of years, with many businesses and employees finding there are benefits to working from home, is fuelling increased interest in hybrid working practices. Consequently, flexible working is increasingly becoming a standard part of staff benefit packages.

Although remote working may not be feasible for all jobs, there are a wide range of other flexible working options that firms might consider. These options will help businesses to not only retain existing staff but will also help to attract new talent.

However, businesses looking at hybrid working options must manage flexible practices while considering potential issues, including inclusion, fairness and health and safety.

What is hybrid working?

Hybrid working is a form of flexible working where workers spend some of their time working remotely (usually, but not necessarily, from home) and some in the employer's workspace. Hybrid working can be undertaken in conjunction with other forms of flexible working, including time flexibility.

Although some workers will have worked remotely prior to March 2020, the extended period of enforced working from home during the global pandemic has led to considerable interest in new ways of working, including hybrid or blended work.

The Flexible Working Taskforce

As part of its involvement in the Flexible Working Taskforce, the Chartered Institute of Personnel and Development (CIPD) has produced practical guidance to support effective hybrid working.

Jane Gratton, Head of People Policy at the British Chambers of Commerce (BCC), says: 'Our research indicates three quarters of employers will continue to offer hybrid working going forward.

'This new guidance will help all employers to confidently implement and roll-out hybrid working in a way that is fair and accessible to their workforce.

'Flexible working makes good business sense and is increasingly becoming a standard part of staff benefit packages. While remote working may not be practical for all job types, the wide range of other flexible working options that firms can consider opens the door to new talent to fuel growth and rebuild our economy.'

The case for hybrid working

Where it is possible, hybrid working can offer benefits to employers and employees alike. Hybrid work can benefit employees through helping them to achieve greater work-life balance, reducing the costs of commuting and providing autonomy about how and where they work.

According to the CIPD, employers can benefit from increased productivity and increased staff engagement and motivation. A significant majority of employees reported that when working from home they are at least as, if not more, productive.

Hybrid work can therefore deliver the benefits of remote working whilst still also allowing for the social and collaborative advantages of working together with colleagues in the workplace.

Not for everyone

At the same time, it is important to recognise that hybrid working may not work well for everyone. There may be certain roles or tasks that require staff to be co-located to be carried out effectively and some individuals may not want to work remotely for personal or work-based reasons.

Organisations should therefore view hybrid working as one of many possible ways of working – and if hybrid working is not practicable, other forms of flexible working may be, such as time flexibility.

Some key considerations

- Consider introducing hybrid working as a pilot/trial period, with criteria for measuring and determining success set out.
- Prepare people managers and workers for the transition to hybrid working – learning lessons from the recent remote working period whilst recognising the key differences between fully remote and hybrid work.
- Reflect on cultural readiness for the transition to hybrid working – and identification of possible barriers to success.
- Review relevant policies, procedures and systems to ensure that they are ready for hybrid work and identify where changes need to be made.
- Review the current and potential future equality implications, particularly on groups with protected characteristics.

There are many factors to consider if you are offering employees hybrid working options: these include changes to expense and tax arrangements. Please contact us if you need further information on these matters.

Preserving your mental health at work

With the coronavirus (COVID-19) pandemic continuing to require employees across the UK to work from home, it is important now more than ever to prioritise your mental health. Employees and employers alike are advised to take the time to recognise, manage and reduce stress in both their professional and personal lives.

Understanding stress and anxiety at work

Defining 'stress' and 'anxiety' can help us to understand them properly. The Health and Safety Executive (HSE) defines stress as 'the adverse reaction a person has to excessive pressure or other types of demand placed upon them'. Meanwhile, Anxiety UK defines anxiety as 'a feeling of apprehension or dread in situations where there is no actual real threat'.

Stress and anxiety are two of the most common forms of mental health issues that affect individuals in the UK. Less common mental health issues include bipolar disorder and schizophrenia.

Employees suffering from mental health issues may wish to make use of wellness action plans. These plans can help employees to identify the aspects of their working lives that keep them well and those that cause them to become unwell.

Top tips for managing mental health in the workplace

A range of strategies exist to aid employees in managing their mental health at work. We have highlighted a handful below.

- Reduce your workload. Carry out tasks in order of priority and don't overload yourself with work. Always ask for help if you are struggling with a heavy workload and split up big tasks so that they seem less overwhelming.
- Take time out. Taking time out, such as going for a short walk, or even having a cup of tea, can help rejuvenate your mind. Make time for yourself so you don't burn out.
- Voice your concerns to someone. Communicating your worries is vital. Whether it's with a colleague or a friend, verbalising your concerns will only help you to address and combat them.
- Take part in stress risk assessments. Taking part in discussions on stress and considering what stresses you at work can help to minimise worries. Attending employer-run stress management courses and utilising stress management tools may also help you to keep workplace concerns to a minimum.
- Plan ahead. Planning ahead for potentially stressful days or events may help to minimise any concerns you might have. Consider creating a to-do list, or mapping out a journey you're required to make ahead of time.

- Challenge your mindset. Our mindset can greatly affect the way we feel. Challenging unwanted and unhelpful thoughts and embracing positivity may help you to feel less stressed when at work.

Advice for employers

It's important that an employer takes mental health issues seriously and supports their employees suitably. Employers have a legal duty of care to support their employees' health, safety and wellbeing, including safeguarding their mental health.

Under the Equality Act 2010, mental health issues can be considered a disability if the issue has a 'substantial adverse effect' on an employee's life; if it lasts 12 months or is expected to last 12 months; and if it affects the employee in carrying out their day-to-day activities at work.

Advisory body Acas suggests that employers work with employees affected by mental health issues in order to make the right adjustments so that they can continue to work effectively and safeguard their wellbeing. This may include, for example, helping them to prioritise their workload and permitting them extra rest breaks.

We all experience stress in our working life, so taking steps to identify what stresses us at work will help us to mitigate and address the issue.

Why timing matters for your capital spend

Getting the maximum tax benefit from capital spending often involves a balance of considerations, and timing can be critical to the outcome. We look here at two timing issues that could impact your business.

Last chance opportunity to use Covid-19 extended loss carry back rules.

Strategically timed capital expenditure now, in tandem with the extended loss carry back rules, may have the potential to create or enhance a trading loss, generating a tax refund for your business. Current rules provide particular incentives for capital spending. The temporary higher level of Annual Investment Allowance (AIA) is available both to companies and unincorporated businesses, whilst the 130% super-deduction and 50% special rate allowance are available to companies.

The extended loss carry back rules apply to trading losses made by companies in accounting periods ending between 1 April 2020 and 31 March 2022. For unincorporated businesses, it's available for trading losses made in the tax years 2020/21 and 2021/22.

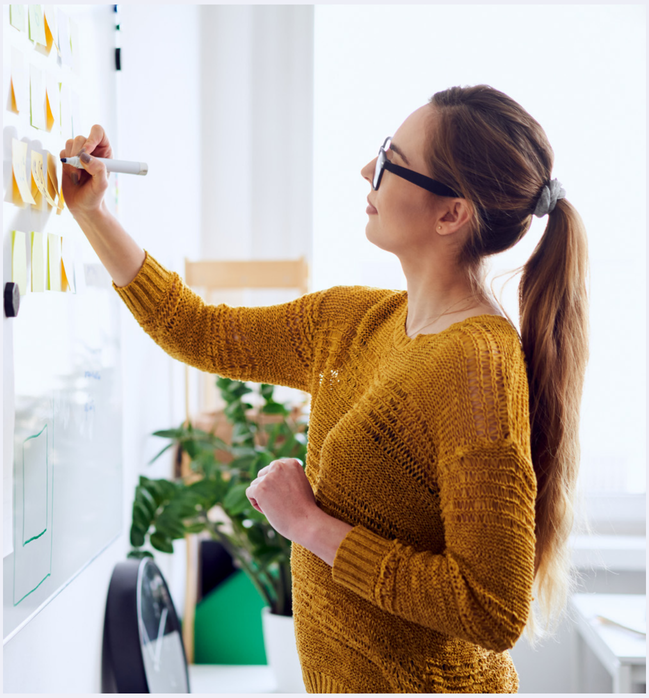
If you are planning capital expenditure, please don't hesitate to contact us to discuss the options on timescale. We can help you decide if it would benefit your business to accelerate capital spending to bring it inside the relevant extended loss carry back window.

Reprieve for the temporary higher AIA limit.

The AIA limit increased to £1 million from January 2019, and was scheduled to drop back to £200,000 from 1 January 2022. Autumn Budget 2021, however, extended it one last time. The £1 million AIA annual limit is now set to remain in place until 31 March 2023. In terms of timescale, this sets it on a par with the super-deduction regime available to companies: the two now both finish at the same time.

Extending the availability period certainly gives businesses more time to take advantage of the enhanced provisions. But if planning major capital expenditure, it's worth taking stock now of when the expenditure would be best made. The accounting year end is a key component in any decision here.

We recommend an early discussion to make sure that the timing of your purchase allows you to maximise the tax benefits available. Complex transitional calculations will be needed when the super-deduction comes to an end, and when the AIA drops back to its original level. It will be important to factor these into your planning. We should be pleased to advise further here.



Busting the research and development myth

Research and development (R&D). It's what other people do. Right?

The answer is, not necessarily. Many companies carry out R&D without realising that their activity could bring them within scope of the R&D tax regime. It matters because R&D tax relief is particularly generous.

There are two main R&D tax reliefs: Small and Medium-sized Enterprise (SME) R&D relief, and Research and Development Expenditure Credit. The first can provide an enhanced 130% deduction against taxable profits for qualifying R&D expenditure, in addition to the expenditure involved, making a total deduction of 230%. The second is potentially available to larger companies, and SMEs in particular circumstances. It allows a company to claim a credit calculated at 13% of qualifying R&D spend.

In the latest news, qualifying R&D expenditure changes to include specific data and cloud costs from April 2023: licence payments for datasets, and cloud computing costs attributable to computation, data processing and software. There are also measures 'refocusing' the reliefs on innovation in the UK, and thus restricting some costs for R&D activity carried out overseas.

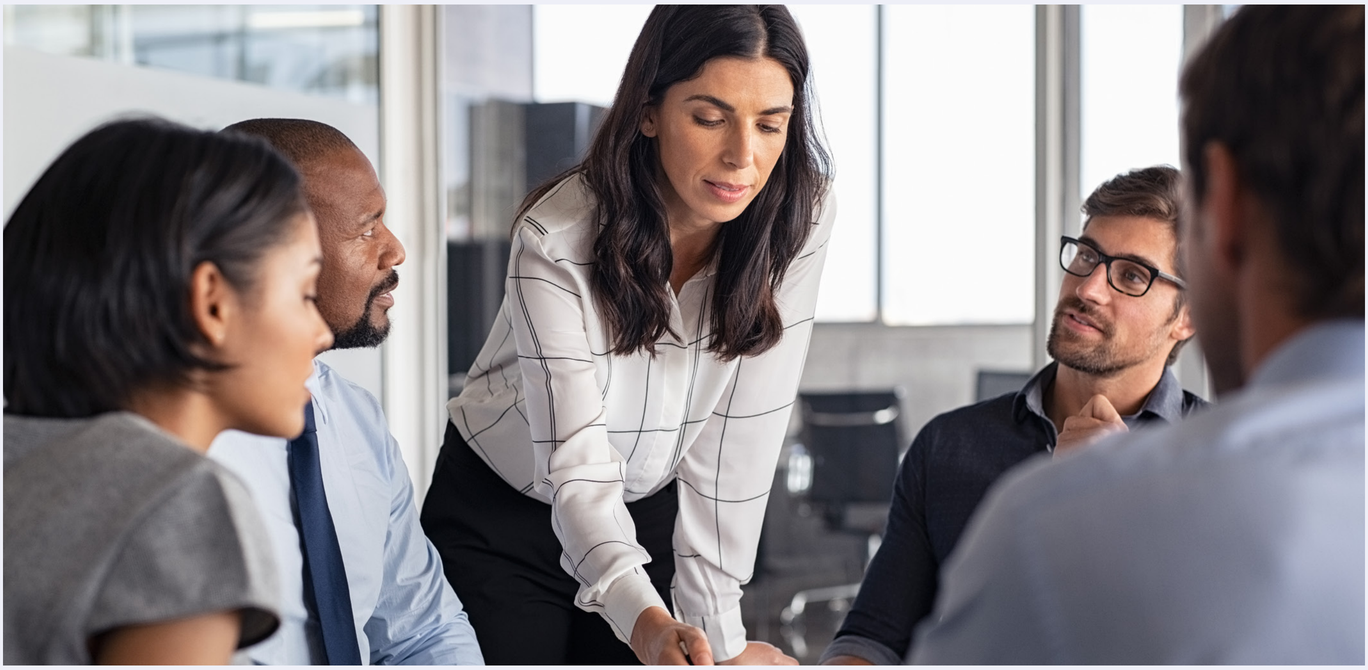
What are the boxes to tick to qualify for relief? Not all activity described as R&D in commercial parlance counts as R&D for tax relief purposes. For tax relief, the activity must fall to be accounted for as R&D under generally accepted accounting practice, and must also conform to definitions set out in BEIS Guidelines. Qualifying projects are those aiming to make an 'advance in science or technology' through the 'resolution of scientific or technological uncertainty'.

It goes without saying that subtle technical distinctions apply. An uncertainty that could be readily resolved by a competent professional in that field, for example, does not count. And an advance in science or technology must be one that has a bearing on the overall capability in a particular field, not one that relates solely to the individual company's own knowledge or capability.

Having a clear idea of where your company sits with regard to R&D activity also matters for another reason. There is increasing government concern about error and fraud in R&D claims. One way such error can arise, for example, is through the use of unregulated, so-called R&D 'specialist' firms. Many of these operate by obtaining tax refunds for R&D claims that turn out not to be robust enough to withstand subsequent HMRC checks.

Legislation is being laid to improve R&D compliance, with various changes to the claims process anticipated. From April 2023, claims will be made digitally in most cases, with additional detail given. A named senior officer of the company will have to endorse claims, and where an agent has advised on the claim, their details will also be needed. With increased HMRC compliance activity on the horizon, it is more important than ever that claims are watertight.

If, perhaps, you have not previously considered whether your company is involved in qualifying R&D, we should be pleased to explore the issue with you. Please do contact us for more information on this, or any other area relating to R&D.



Take advantage: tax free benefit for directors and employees

And it's not too good to be true.

Don't be put off by the technical name. What are called 'trivial' benefits, are far from trivial. They can make a very worthwhile add-on to remuneration, allowing you to provide a benefit to an employee with no tax, no National Insurance: and no need to notify HMRC. There's no limit on the number you can provide in a year - except for company directors and family members. An added advantage is that employers can claim income or corporation tax relief on the cost involved. But strict criteria apply.

Critical small print

A benefit must meet the following conditions. It must not cost more than £50 (including VAT) to provide and must not be cash or a voucher that can be redeemed for cash. Non-cash vouchers, like store cards, pass the test, though. It must not be a reward for particular services carried out by the worker, and should not be in the terms of the worker's contract. Neither can it form part of a salary sacrifice arrangement.

Don't make it a reward for services. Trivial benefits can fail the rules by appearing to be a reward for services. So don't give a bottle of wine because someone made a great contribution – make it a morale booster on a grey day. Some businesses have used trivial benefits to enhance staff wellbeing during Covid-19, for example.

What constitutes a contractual element can be contentious: HMRC maintains that repeated provision of a benefit could create a legitimate employee expectation. This could then be viewed as a contractual arrangement which would fail to qualify.

Getting it right for company directors

There's a £300 limit to the trivial benefits that directors or office holders of 'close' companies (limited companies run by five or fewer shareholders) can receive in any one tax year. This includes benefits given to family or household members who aren't directors or employees of the company. But if other family members are also directors, they have their own £300 limit.

Working with you

Trivial benefits were very much on HMRC's radar a year or so ago, but professional opinion is that HMRC's interpretation of the rules could be unduly restrictive. For an in-depth discussion, do please contact us.

Drilling down: Mr Tooth and the tax return

A complex Supreme Court case in 2021 ended in taxpayer victory - and two takeaway messages.

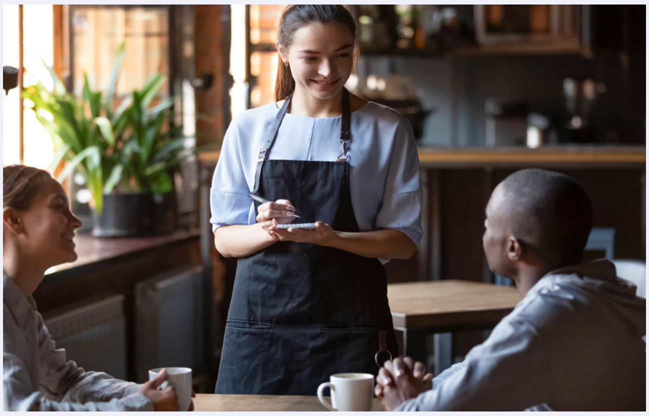
1. Importance of full disclosure to HMRC. Unable to get software to enter key information in the right box on the right page of his self assessment tax return, Mr Tooth and his advisers decided to crack the system. Using an 'obviously artificial' tax reference number, 99999 99999, they put it on the partnership page of the return, instead. Detailed disclosure was then made in the white space on the return.

HMRC maintained that the return was deliberately inaccurate. Deliberate inaccuracy is the green light for HMRC to assess any loss of tax for up to 20 years after the end of the tax year concerned: it also opens the door to higher penalties. The Court, however, held that Mr Tooth had no deliberate intention to mislead, but had done his best 'in the context of an intractable online form'.

2. HMRC bite. The Court upheld HMRC in the important area of discovery assessments. These can be used where HMRC believes the wrong amount of tax has been assessed. The Tooth case makes it easier for HMRC to access extended time limits, even where it has delayed using available information, to raise additional tax bills, subject to the normal statutory time limits and principles of public law.

Ouch.

Business Round-up



Chancellor announces £1 billion support fund for businesses

On December 21, Chancellor Rishi Sunak unveiled a £1 billion support fund for businesses, which includes cash grants of up to £6,000 per premises for each eligible firm.

Mr Sunak said the government would also help certain firms with the cost of sick pay for COVID-19-related absences.

To support other businesses impacted by the Omicron variant of COVID-19 – such as those who supply the hospitality and leisure sectors. Additionally, the Chancellor announced an extra £30 million to help theatres and museums.

Mr Sunak said: 'We recognise that the spread of the Omicron variant means businesses in the hospitality and leisure sectors are facing huge uncertainty, at a crucial time.

'So, we're stepping in with £1 billion of support, including a new grant scheme, the reintroduction of the Statutory Sick Pay Rebate Scheme and further funding released through the Culture Recovery Fund.'

Climate Change Committee calls for higher tax on household gas

Following COP26, the Climate Change Committee (CCC) has urged the government to introduce a higher tax on household gas.

In its recommendation to the government, the Committee stated that taxes should be used to make fossil fuel heating more expensive to help reach the government's Net Zero ambitions.

The CCC also recommended that the Treasury initiate a review of the role of the tax system in delivering Net Zero, including the role of tax in achieving a higher and more consistent carbon price across the economy.

The CCC said that funding should be doubled so that key climate finance commitments can be properly adapted.

Reminders for your diary

March 2022

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

3 5% late payment penalty on any 2020/21 outstanding tax which was due on 31 January 2022 and still remains unpaid.

19 PAYE, Student loan and CIS deductions are due for the month to 5 March 2022.

31 End of corporation tax financial year.

End of CT61 quarterly period.

Filing date for Company Tax Return Form CT600 for period ended 31 March 2021.

Last minute planning for tax year 2021/22 – please contact us for advice.

April 2022

1 Making Tax Digital (MTD) record keeping required for VAT return periods starting on or after 1 April 2022.

VAT Return information to be provided to HMRC through MTD compatible software.

5% late payment penalty on any 2020/21 outstanding tax which was due on 31 January 2022 and still remains unpaid.

5 Last day of 2021/22 tax year.

Deadline for 2021/22 ISA investments and pension contributions.

Last day to make disposals using the 2021/22 CGT exemption.

14 Due date for income tax for the CT61 period to 31 March 2022.

19 Automatic interest is charged where PAYE tax, Student loan deductions, Class 1 NI or CIS deductions for 2021/22 are not paid by today. Penalties may also apply if any payments have been made late throughout the tax year.

PAYE quarterly payments are due for small employers for the pay periods 6 January 2022 to 5 April 2022 if paying by cheque through the post or by 22nd April if paying online.

PAYE, Student loan and CIS deductions are due for the month to 5 April 2022 if paying by cheque through the post or by 22nd April if paying online.

Deadline for employers' final PAYE return to be submitted online for 2021/22 if paying by cheque through the post or by 22nd April if paying online.

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