Adviser

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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 set up 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.**

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.

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.

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.

Making Tax Digital: At a Glance

HMRC's flagship Making Tax Digital (MTD) programme has seen many stops and starts over the years. Where are we now?

VAT: the initial easement, meaning full digital links did not have to be in place, expired for VAT return periods starting on or after 1 April 2021. Businesses now need to be fully compliant with the new rules. We can provide guidance on what does and doesn't constitute a digital link, in cases of doubt. From April 2022, MTD for VAT applies to all VAT registered businesses, even voluntary registrations.

Corporation tax: mandation is not expected before 2026, with a pilot from 2024.

Income tax self assessment: MTD rules apply from 6 April 2023 for unincorporated businesses and landlords with total business or property income more than £10,000 per year. HMRC had intended to expand its pilot scheme substantially from April 2021, allowing entry to the vast majority of sole traders and landlords. This has not happened. It is now pushed forwards to April 2022, whittling away the two year period to trial the system. Given the considerable demands of the new rules, which involve filing quarterly summaries of business income and expenses via MTD compatible software, plus an end of year finalisation, we recommend making an action plan for your business now.

Please contact us to discuss what is needed to comply.

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.

Don't Click on the Link: Covid-19 Scams

Scam texts, emails and phone calls saying they're from HMRC are on the rise. And it can be increasingly difficult to tell the real from the fake.

Scammers know when tax is going to be on people's minds. Self assessment tax return season is always a time to be alert: but the pandemic has given scammers a field day. Emails mimicking HMRC, with invitations to apply for the Self Employment Income Support Scheme (SEISS) grant, and texts offering refunds or funding because of lockdown are among those in circulation. In the case of SEISS, it can be even more confusing, because HMRC has been contacting some claimants to carry out pre-verification checks. But if this is the case, it should notify you by letter in advance.

Sometimes there are basic clues to note. Bad grammar. Spelling mistakes. And HMRC isn't likely to start its emails 'Hello' or end with a chatty 'Thank you for your cooperation'. It won't use WhatsApp or email to tell you about a tax refund.

Tip: Don't Click

Most scams invite you to open an attachment or click on a link. **Don't.** They're likely to take you to a misleading 'phishing' website, to get you to enter personal details that can then be exploited, or expose you to malicious software.

If in any doubt about contact that seems to be from HMRC, please do talk to us. We are always able to point you towards HMRC's 'live' list of issues, where it really is contacting the public.

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.

Pensions Auto Enrolment: Business as Usual

Pandemic or no pandemic, employer obligations remain. With the auto enrolment (AE) compliance cycle still fairly new, what should you be doing now?

Despite Covid-19, AE duties apply as normal, whether your staff are working, whether you've furloughed them, or whether you have staff on placement with government funding as part of the Kickstart scheme. Both you and your staff should continue to make pension contributions. Staff do have the option to reduce the level of contribution in some circumstances: they can also decide to opt out or cease active membership of the scheme, if they decide that is the best course of action for them. But it is critical that as employer, you don't encourage or induce them to do so: this would breach the legal safeguards provided for workers under the regime.

If you're using the furlough or Kickstart scheme, you should run your normal payroll process. Both the contributions you pay, and your staff pension contributions due under your pension scheme are calculated on the total pay. That's regardless of how much government support you are claiming.

If you are a new employer, the pandemic doesn't make any difference to procedure. You should still assess staff and put them in a pension if they are eligible. But you may be able to formally postpone the procedure for up to three months, and we can advise you more fully here. It's only a delay, however: it doesn't cancel your obligations. And it comes with its own admin requirements, so it isn't completely hands free.

Regular AE Housekeeping

The AE regime has its own cycle of responsibilities. This involves regular re-enrolment and re-declaration duties every three years. In outline, certain staff who have left your pension scheme must be put back in it. And you then have to submit a re-declaration of compliance to the Pensions Regulator (TPR), setting out how you have met your duties.

Many smaller employers will be coming up to their first re-enrolment. TPR is likely to write to you with information about this, recommending that you assess your staff for re-enrolment on the third anniversary of your staging date or duties start date. Although there isn't the option to use postponement for re-enrolment, TPR is providing some flexibility on dates if you are struggling to get re-enrolment carried out on your third anniversary because of Covid-19.

Here to Help

Getting the figures right for pension contributions and the furlough scheme can be extremely complex. If you would like us to review this for you, please don't hesitate to get in touch.

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