Climate Change Agreement for FDF

Note 13: HMRC State Aid reporting

November 2021

1. Introduction

Climate Change Agreements (CCAs) entitle companies to pay a reduced rate of Climate Change Levy (CCL) on electricity, gas and other fuels (see Note 01 for the list of fuels and rates applicable). The difference between the amount of CCL paid and the full rate is the 'relief' that a company benefits from; i.e. the value of the CCL discount to the company.

The relief is considered as a 'State Aid'; i.e. a financial benefit that the Government is allowing certain companies to receive. To comply with EU State Aid rules, HMRC requires companies to declare the value of the State Aid they receive from the Government. There are many different types of State Aid hence HMRC is looking at individual schemes which result in State Aid; CCAs are one of those schemes.

From April 2017 onwards, HMRC has required certain companies to report the annual total CCL relief they received due to the CCAs. The purpose of this guidance note is to explain how to calculate the relief, which companies are affected by this, and how to comply with the HMRC requirement.

The UK left the EU on 31 January 2020 and entered a transition period which ran to 31 December 2020. During the transition period, EU rules continued to apply, including State aid reporting.

If an organisation (defined by VAT registration number) received more than £444,500 of CCL discount during the period 1st January to 31st December 2020, then it must submit a postal declaration to HMRC by 30th November 2021.

However, <u>this report differs from previous years as only 9 months of data will be required to be reported</u>. As the last State aid reporting requirements covered the period April 2019 - March 2020, you should only report the value of the CCL discount received from 1 April 2020 – 31 December 2020. This is regardless of the fact that the threshold for reporting relates to a 12-month period.

Failure to comply could result in the entitlement to the CCL discount being removed.

2. How to identify if a company needs to comply with this requirement

a) Identify all the sites with a CCA belonging to the same VAT registered organisation

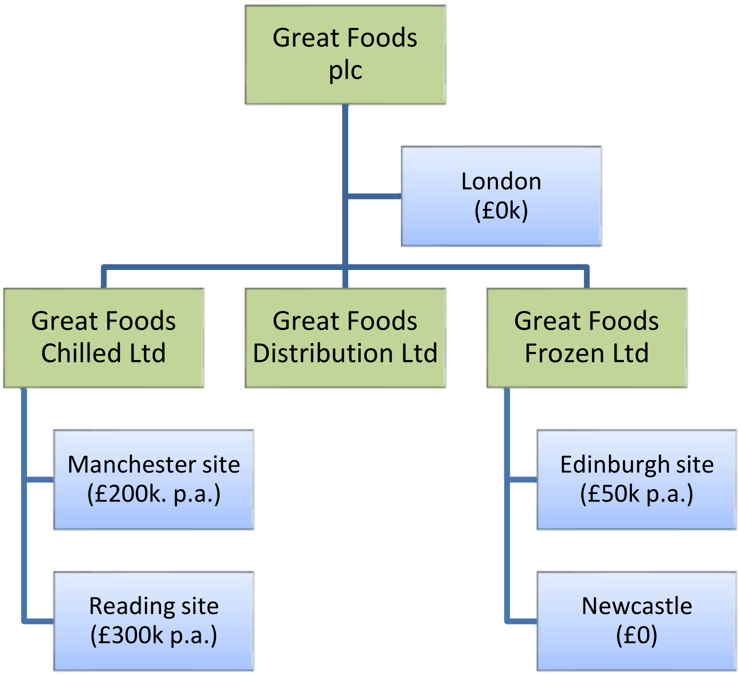
b) Calculate how much CCL 'relief' (i.e. CCL discount) those sites received during the reporting period and if they are over the threshold.

c) Report directly to HMRC before the 30th November 2021 after the end of the reporting period

Further information on each step is provided within this guidance note.

a) Identify all the sites with a CCA belonging to the same VAT registered organisation

A VAT registered organisation could consist of one legal entity or more than one legal entity (a legal entity is a company with a unique Companies House Number).



The diagram above shows the 'Great Foods' organisation, where each **green** box represents a legal entity and each **blue** box represents a site. The value in brackets after each site shows the CCL relief/discount received by each site.

If all legal entities are under the **same** VAT registration, then the entire organisation will need to assess whether it is required to declare the State Aid received during the specified period.

If all legal entities are **separate** VAT registrations, then each separate legal entity will need to assess whether it is required to declare the State Aid received during the specified period.

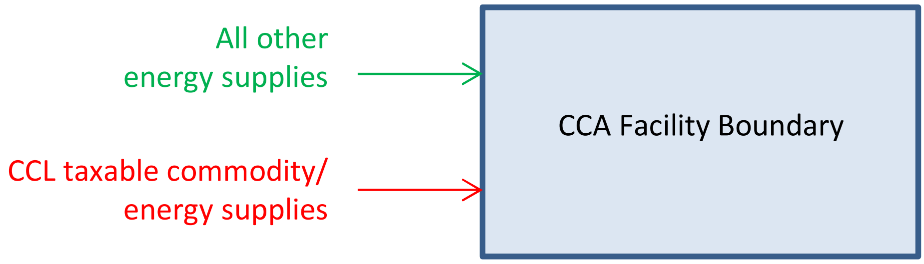
b) Calculate how much CCL 'relief' (i.e. CCL discount) those sites received during the reporting period and if its over the threshold

Reporting Period

The first reporting period was 1st July 2016 to 31st March 2017. Thereafter, the period ran 1st April to 31st March each year. For 2020 you need to determine if you exceeded the threshold in the 2020 calendar year i.e. 1st January 2020 – 31st December 2020.

Calculating the CCL relief

The CCL relief includes all the CCL discount received on energy sources supplied to the ***CCA Facilities*** *and excludes any CCL relief claimed via other schemes (e.g. CHPQA).*



The 'CCA Facility':

- When a site passes the 70/30 rule, the 'CCA Facility' is often the entire site and the CCL relief/discount is claimed on all the energy supplied. When a site fails the 70/30 rule, the CCA Facility will only be that part of the site covered by the CCA.
- The value of CCL relief/discount received can be calculating using supplier invoices. The relief is the difference between how much CCL the site has actually paid at the reduced/discounted rate and what it would have paid at the full rate. Please refer to Guidance Note 01 : What is a CCA for a list of which energy supplies are classed as CCL taxable commodities and the full rates of CCL.
- Our annual data collection spreadsheets give an indication of how much the CCL discount is worth to each site annually. This can be used as a guide only to identify approximately how much discount a site may have received.

EU Emissions Trading Scheme (EU ETS):

- A CCA facility may also include activities covered by the EU ETS; this does not change how the relief should be calculated.
- If energy is used within an EUETS installation and that installation is within the CCA Facility boundary, then all relief/discount claimed on the energy provided to the EU ETS installation will be included in the calculation the total CCL relief received.

Thresholds

When a company adds all the CCL relief received during the reporting period (i.e. for all sites in the legal entity) if it is over the threshold then it must report to HMRC.

The threshold is €500,000 per annum. To convert to GBP HMRC will use the monthly exchange rate published in the official on-line exchange rate converter for the first month of the reporting period.

The first reporting period was **1st July 2016 to 31st March 2017**. For July 2016 the exchange rate was €1=£0.8255, and reducing the annual threshold amount to represent nine months made the threshold for the first reporting period **£309,562**.

For subsequent reporting periods, the threshold has been €500,000 and the value in GBP has been published via the Gov.uk website. **The value is £444,500 for 2020**.

Using the example of Great Foods illustrated on page 2 of this Note, if the values in brackets are for the period 1st January 2020 to 31st December 2020, then:

- If the entire organisation is under one VAT registration then the total CCL discount received by all the companies within the Great Foods organisation will be required to declare their State Aid.
- If each legal entity within the organisation has its own VAT registration then only 'Great Foods Chilled Ltd ' would have an obligation to declare the State Aid received.

c) Report directly to HMRC before 30th November

If your company exceeded the threshold for 2020, a report must be submitted to HMRC before the end of November 2021.

The report is a simple spreadsheet that collects the following information:

- Name of business receiving aid and VAT registration number.
- Number of employees (fewer or more than 250), head office location, sector.
- Reporting period end date (31st December 2020).
- Amount of State aid the business received in GBP during the reporting period.
- A declaration that the information is accurate

A copy of this form can be obtained by contacting HMRC directly: david.brayshaw@hmrc.gov.uk .

HMRC will send the information to the European Commission. A list of companies who have submitted this report will be published stating how much State Aid (i.e. CCL relief/discount) it has received within a range of bandings (i.e. not the exact amount). The bandings are: €0.5-1m, €1-2m, €2-5m, €5-10m, €10-30m, or above €30m.

Once HMRC publish details of future reporting requirements this guidance note will be updated.

For further information please contact SLR's FDF CCA helpdesk:

+44 (0)844 800 1880

fdfcca@slrconsulting.com

or visit https://www.fdf.org.uk/fdf/what-we-do/environmental-sustainability/climate-change-agreements/

The full suite of FDF CCA Guidance Notes are listed below and can be accessed via contacting the helpdesk or visiting the website.

Guidance Note	Title
1	What is a CCA
2	Transferring Ownership of a CCA
3	FDF CCA Administration Charges
4	Completing HMRC PP10 and PP11 Forms
5	Timetable of FDF CCA Activities
6	Obligations under your CCA including audits
7	Reporting data at each Target Period
8	How CCAs interact with other schemes
9	Glossary and Abbreviations
10	What happens if...
11	NOVEM targets
12	NOVEM Calculation Spreadsheet
13	State Aid Transparency reporting
14	Penalties for non compliance
15	Application Documentation