

Climate Change Agreement for AIC

Note 13: HMRC State Aid reporting

March 2017

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 is implementing a new requirement for 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 will require 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.

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

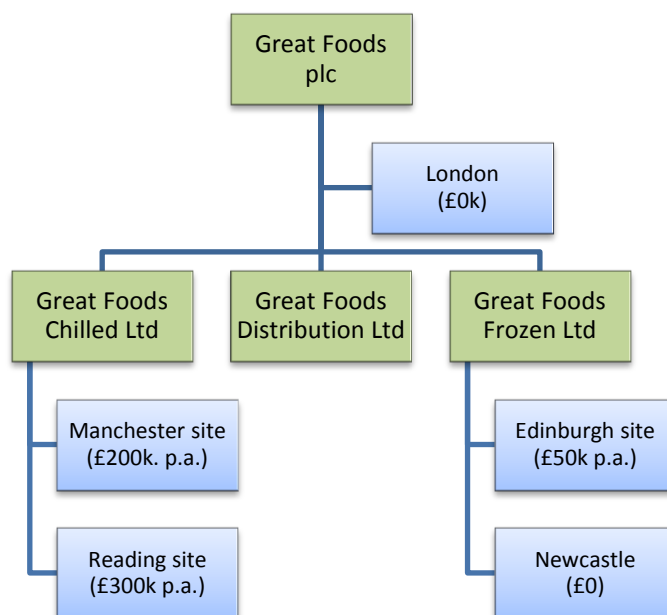
2. How to identify if a company needs to comply with this requirement

- a) Identify all the sites with a CCA belonging to the same legal entity.
- 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 30th April.

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

a) Identify all the sites with a CCA belonging to the same legal entity

Here a company means a specific legal entity; i.e. a company with a Companies House number, it does not mean a group of companies under the same umbrella organisation. The diagram below illustrates this point.



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.

This HMRC reporting requirement looks at each legal entity separately; i.e. each green box and the sites under that legal entity, not under the entire organisation.

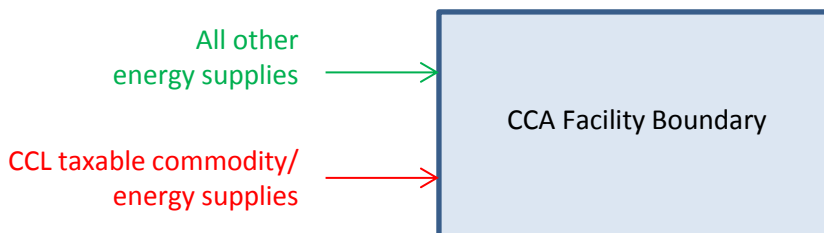
b) Calculate how much CCL 'relief' (i.e. CCL discount) those sites received during the reporting period and if its over the threshold

Reporting Period

The first reporting period is 1st July 2016 to 31st March 2017. Thereafter, the period will run 1st April to 31st March each year.

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 calculated 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 of 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 is **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 makes the threshold for the first reporting period **£309,562**.

For subsequent reporting periods, i.e. the 12 months from 1st April 2017 onwards, the threshold will be €500,000 and the value in GBP will be published via the Gov.uk website.

Using the example of Great Foods illustrated on page 2 of this Note, if the values in brackets are for the period 1st July 2016 to 31st March 2017, then only 'Great Foods Chilled Ltd ' would have an obligation to report to HMRC before the end of 30th April 2017.

c) Report directly to HMRC before 30th April (i.e. one month after the end of the reporting period)

If your company exceeds the threshold in any reporting period, a report must be submitted to HMRC before the end of the April following the reporting period.

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 (e.g. 31st March).
- 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: andy.jameson@hmrc.gsi.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.

The reporting requirement will remain in force until HMRC advises otherwise (i.e. business as normal until the full implications of 'Brexit' are known).

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

+44 (0)844 800 1880

AIC@slrconsulting.com

or visit www.slrconsulting.com/AICCCA

The full suite of AIC 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	Applying for a CCA
3	AIC CCA Administration Charges
4	Completing HMRC PP10 and PP11 Forms
5	Timetable of AIC 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 target
12	Stringency tests on targets
13	HMRC State Aid reporting