

Written by 27 January 2025

Business News Scotland

Welcome to our round up of the latest business news for our clients. Please contact us if you want to talk about how these updates affect your business. We are here to support you!

What do rising government borrowing costs mean for your business?

Recent economic developments have sparked concerns among UK businesses. Government borrowing costs surged in December to their highest levels in four years, and this has drawn heavy criticism of the Chancellor's fiscal strategy.

The BBC reported that the gap between government spending and tax revenue widened to £17.8 billion in December, compared with £10.1 billion a year earlier. This was notably higher than the Office for Budget Responsibility (OBR)'s forecast of £14.6 billion.

Adding to this, interest on government debt reached £8.3 billion in December, the third highest on record for the month since 1997. While yields on 10-year gilts have since retreated to 4.5% (they peaked at 4.9%), the situation underscores the volatility of financial markets.

What do these developments mean for your business, and how can you respond to any challenges ahead? Let's explore.

The ripple effects on businesses

Rising borrowing costs often signal trouble for businesses seeking financing. Elevated gilt yields – which influence corporate borrowing rates – could result in higher interest payments on loans. If your business relies heavily on debt financing, this means tighter budgets and less room for growth.

Another concern is the potential for reduced government spending. As more public funds are directed towards servicing debt, the government may cut back on infrastructure projects, public services, or business support schemes. This could directly impact you if you depend on public sector contracts or subsidies.

Inflationary pressures add another layer of complexity. Predictions of rising US inflation due to tariffs under Donald Trump's administration could disrupt global supply chains. This may mean that the cost of imported goods and raw materials could go up. While the latest UK figures show that inflation here has dropped back again, this international factor could put pressure on your profit margins, especially if they are already tight.

It's worth noting too that rising borrowing costs aren't unique to the UK government. France, Italy, Spain, and Germany are also experiencing pressures. Differences in how these nations respond to these pressures could further affect the financial and economic environment.

Navigating the challenges

To stay ahead, you may need to review your financial strategies. If you have existing debt, you might consider refinancing to lock in lower interest rates while they are available, if these look likely to increase. Diversifying your funding sources, for instance by inviting equity investment, might be a way of reducing your reliance on traditional loans.

Rising costs have been with us for some time and cost management continues to be a key focus. Can you streamline the way you do things to trim expenses without compromising quality or reducing customer satisfaction?

Building resilience is important. Where you can maintain healthy cash reserves, this will help you to weather economic fluctuations.

Some think the pressure on the Chancellor might result in an adjustment to tax and spending measures in the Spring Statement in March. This could potentially provide some good news to businesses if taxes are reduced in some way. However, the government's strategy appears to be to promote growth as the way forward. This may mean that measures are introduced that could help your business grow. It may pay to be alert to government proposals.

Adapting for the future

Ultimately, staying informed and flexible will be key. While the current economic environment looks challenging, staying agile and proactive can help you to find opportunities amid the uncertainty.

If you would like help reviewing your financial strategies or need a cost audit, please contact us at any time. As experienced business advisers, we would be happy to help you position yourself for future growth.

See: <https://www.bbc.co.uk/news/articles/cpwxzpqrnjko>

Are you ready for the new safety and security declaration requirements?

Starting from 31 January 2025, entry summary declarations will now be required for goods imported into Great Britain (GB) from the EU. This extends the already existing requirements to submit entry summary declarations for imports into GB from countries outside the EU and exit summary declarations for exports to the EU.

To help businesses, HM Revenue and Customs (HMRC) are reducing the amount of safety and security data that needs to be provided. There will be 20 mandatory fields which will always need completing. There are then 8 conditional fields and a remaining optional 9 fields.

If you already submit safety and security declarations, then HMRC advise that you don't need to change your existing systems and procedures. However, you may prefer to benefit from the reduced data requirements.

Carriers and hauliers are legally responsible for submitting safety and security declarations. However, in some situations the importer or an intermediary lodge the declaration. Therefore, if you import goods from the EU you should check with the carrier and supplier who is responsible and what the most suitable method is.

Entry summary declarations are submitted into an IT platform called Safety and Security Great Britain (S&S GB). You need a Government Gateway account and a Great Britain Economic Operators Registration and Identification (EORI) number to register. You will also need suitable software to be able to lodge the declarations as there is no way to do so directly.

HMRC has encouraged businesses to start lodging the new declarations early if they are ready.

See HMRC's guidance: <https://www.gov.uk/government/publications/preparing-for-the-new-safety-and-security-declaration-requirements>

HMRC's phone service criticised ... again

A report released by the Public Accounts Committee (PAC) has further criticised HM Revenue & Customs' (HMRC) phone service. It found that nearly 44,000 customers were cut off without warning after being put on hold for more than an hour in the first 11 months of last year.

Having criticised HMRC's phone service last year, the committee said the service was worse again since its last report. It said HMRC had "damaged trust in the tax system" as a result.

The chair of the PAC, Geoffrey Clifton-Brown MP, has suggested that HMRC is degrading the service as a matter of policy.

HMRC has refuted this, with HMRC chief executive Jim Harra saying that the tax authority has made huge improvements to their service standards. He cited a cut in call waiting times of 17 minutes since April.

In the 2024 Autumn Budget, the Chancellor committed to investing £1.7 billion over the next five years to recruit an additional 5,000 HMRC compliance staff and 1,800 HMRC debt management staff. The report perhaps just confirms that this investment is needed by HMRC.

If you are frustrated by dealing with HMRC or would like help with any tax matter, please give us a call. We would be happy to help you!

See: <https://www.bbc.co.uk/news/articles/cn4zjnd2llyo>

Only a few days left to file tax returns

There are only a few days left now to file 2023-24 tax returns before the 31 January deadline.

Failing to meet the deadline can result in penalties as well as interest on tax that's paid late.

If you are self-employed and usually complete your own tax return, you may find that the 2023/24 tax return requires you to complete extra entries due to basis period reform. There may also be additional tax to pay as a result.

If you need any help with your tax return, please do not hesitate to get in touch and we will be happy to help you.

New scheme administrator unveiled to help reduce packaging usage

A new scheme administrator tasked with helping businesses reduce packaging usage was unveiled last week. PackUK (called PecynUK in Wales) will also promote more sustainable packaging alternatives.

As part of the UK's four nation Extended Producer Responsibility for Packaging (pEPR) scheme, PackUK is being used to apply the 'polluter pays' principle. It will shift the cost of managing household packaging waste from taxpayers and local authorities to businesses that use and supply the packaging.

Therefore, PackUK will set and raise pEPR's fees from affected businesses. It will also make packaging waste disposal payments to local authorities in exchange for their delivering better collection and recycling services.

It is expected that pEPR will generate more than £1 billion annually. However, the intention is also to incentivise businesses to reduce unnecessary packaging and use more recycled and recyclable packaging.

PackUK will also be involved in raising public awareness on how to dispose of packaging waste correctly.

The [Packaging Innovations](#) event, which is for the latest advancements in packaging solutions, is being held at NEC Birmingham on 12-13 February 2025. PackUK will be attending, so this could be a good opportunity to engage directly with their team.

See: <https://www.gov.uk/government/news/packuk-pepr-scheme-administrator-launched>

Why you should prioritise tax planning before the tax year ends

As the UK tax year-end approaches on 5 April, it's an excellent time for you to review your business finances and explore tax planning opportunities, particularly if you are self-employed. Tax planning can help you to reduce tax liabilities, boost your cash flow and put you in a stronger financial position.

Let's explore some areas that you could think about.

[Capital allowances](#)

One key area to consider is capital allowances. If your business invests in equipment, vehicles, or machinery, you may be eligible for tax relief under the Annual Investment Allowance. Reviewing these purchases before the tax year-end can help make sure that you don't miss out on a valuable deduction.

Pension contributions

Another potential benefit lies in pension contributions. By contributing to employee or director pensions before the tax deadline, you can potentially lower your taxable profit while promoting loyalty in your staff.

R&D activities

If your company has engaged in innovation, you could be eligible for tax credits under the Research and Development Tax Relief scheme. These credits can provide a significant boost.

Proactive planning now can save headaches later and uncover opportunities to improve your bottom line. Why not give us a call to make sure you're taking full advantage of the options available to you?

Financial services growth targeted by the Chancellor

HM Treasury has confirmed that the Chancellor will be hosting a series of Industry Forums in January and February with the aim of seeking views about the best way to deliver long-term in the sector and across the country.

Financial services have been identified as a key growth-driving sector in the government's Modern Industrial Strategy. The Industry Forums will help to make sure that the key issues that matter most in the financial services industry are considered as part of the government's upcoming Financial Services Growth and Competitiveness Strategy.

The forums will be chaired by the Chancellor and the Economic Secretary, with leaders from retail banking, wholesale and international banking, insurance and reinsurance, asset management, fintech, and the mutuals and co-operatives sector all involved.

Rachel Reeves, the Chancellor of the Exchequer, explained that the financial services sector is at the heart of her mission for growth.

It's expected that the Financial Services Growth and Competitiveness Strategy will be published later in the year.

See: <https://www.gov.uk/government/news/chancellor-ramps-up-engagement-with-financial-services-leaders-to-bolster-plans-to-grow-the-economy>

New agreement with Switzerland to recognise professional qualifications

A new agreement between the UK and Switzerland was announced last week that means UK-qualified business people will now find it easier to work in Switzerland and vice versa.

The agreement applies to a wide range of professions including lawyers, auditors, driving instructors, cabin crew and anaesthesia associates.

The ability of professionals and businesses to supply services overseas in regulated professions usually depends on the destination country accepting their qualifications. The new deal means that there could be a boost to UK-Swiss trade. According to government statistics, this is currently worth £46 billion a year, with professional and business services worth £8 billion.

The deal could be especially good news for lawyers and legal firms. The agreement allows certain legal professionals to become qualified in the other country after practising for three years. Switzerland is one of the largest and most important export markets for UK legal services in Europe, so this could be key in helping legal firms and businesses with legal teams to decide on how to best deploy their qualified staff between UK and Swiss offices.

Talks on an upgraded UK-Switzerland trade deal are continuing.

See: <https://www.gov.uk/government/news/uk-firms-boosted-by-new-qualifications-agreement-with-switzerland>

Unemployment rate drops

The latest labour market statistics for the September to November 2024 quarter have brought positive news for the Scottish job market. The unemployment rate has fallen to 3.8%, a drop of 0.2 percentage points when compared with the previous quarter. This is notably lower than the UK's overall unemployment rate, which stands at 4.4%.

Similarly, the employment rate for the same period has encouragingly increased. The proportion of people aged 16 to 64 in work in Scotland has risen to 74.1%. This is an increase of 1.0 percentage point from the previous quarter. Although this remains slightly below the UK employment rate of 74.8%, the upward trend is a positive sign for the Scottish economy.

Alongside these improvements, the economic inactivity rate in Scotland has seen a favourable decline. The proportion of people aged 16 to 64 who are not working and not seeking or available to work has dropped by 0.8 percentage points on the previous quarter to 22.9%. While this is encouraging, it's worth noting that this is still above the UK average of 21.6%.

Secretary of State for Scotland Ian Murray, reacting to the statistics, said in part: "We're continuing to work closely with the Scottish Government to address Scotland's inactivity rate through our plan to Get Britain Working. As part of this,

Jobcentres across the UK are going through their biggest overhaul in a generation so that those looking for work get the help they really need.

Implications for Scottish businesses

As a business operating in Scotland, these employment trends may offer you both opportunities and challenges.

The decline in unemployment and the increase in employment rates suggest that the job market is recovering. This could mean more money in the pockets of consumers and drive increased demand generally for goods and services.

With the unemployment rate falling, you may face increasing competition for talent. If so, reviewing your recruitment strategies and salaries and benefits packages may help you attract and retain the best employees.

If competition for staff increases, it is also worth taking a look at whether investing in training and development programs can help you to meet needs for skills you have with your existing staff.

If you have any questions or would like to discuss how these updates might affect your business, please do not hesitate to contact us. We would be happy to help you!

See: <https://www.gov.uk/government/news/scottish-secretary-reacts-to-labour-market-stats-for-end-of-2024>