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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!

Spring Statement: How is your business affected?

The Chancellor of the Exchequer, Rachel Reeves, delivered her Spring Statement last week in which she outlined the government's economic plans, including spending decisions, tax policies and efforts to boost growth while managing public finances.

What did the statement tell us about public finances and the economy?

The Statement came on the back of the latest forecasts prepared by the Office for Budget Responsibility (OBR). The forecasts showed a more challenging outlook than was the case last autumn. The OBR cited falls in business and consumer confidence, rising European energy costs, increased government borrowing costs and global uncertainties from issues such as the war in Ukraine and trade tariffs.

As a result, the OBR have downgraded their forecast of GDP growth to 1% for this year. Last autumn they predicted growth of 2%, so this is a significant adjustment in their expectations. However, their projections of growth in the next four years have been upgraded, suggesting that they see the long-term more positively.

The OBR have forecast inflation to average 3.2% this year, up from 2.6% in their previous estimate. They predict that inflation will fall to 2.1% in 2026 and 2% in 2027.

The forecasts also showed that without intervention, public finances would fall short of the targets set at the Autumn Budget.

What has the chancellor done about it?

Much has been made in recent weeks of the Chancellor's self-imposed stability and investment rules, and whether she will be able to maintain them in the face of the afore-mentioned challenges.

However, the Spring Statement confirmed the Chancellor's commitment to the rules. Governments often use these fiscal rules to provide credibility to financial markets.

This decision meant there was pressure on the Chancellor to either raise taxes or reduce spending to cover the forecast shortfall.

In good news for businesses, the Chancellor made no direct increases to taxes. She confirmed her intention to have only one major fiscal event a year and so further tax changes will wait until the 2025 Autumn Budget.

Instead, the Statement outlines a number of plans to reduce public spending, including welfare reforms, and reduced day-to-day spending in government departments. In addition, it is clear the Chancellor has adopted a policy of growing the economy and is looking at ways to promote that, including by supporting increased homebuilding activity. Economic growth is aimed at 'putting more money in people's pockets', but it also indirectly boosts the revenues the government receives.

The OBR have confirmed that the policies outlined in the Spring Statement largely restore the public finance targets set last Autumn.

Will there be any effects on my business from policies announced in the Statement?

Here's some quick highlights of measures that may affect your business.

Making Tax Digital

The Spring Statement confirmed that Making Tax Digital for Income Tax (MTD for IT) will be further extended to bring in sole traders and property landlords with income of £20,000 or more.

Read our separate article on MTD for IT to see how and when your business might be affected.

Business rates reform

The government has been consulting on longer-term measures to support high street businesses. The Spring Statement confirmed that an interim report on the future of the business rates system will be published in the summer. Further policy detail will follow in the autumn.

Additional clarity on R&D reliefs

Due to the complexity of the rules around R&D reliefs, many companies do not know at the point of making an R&D investment whether the costs will qualify for R&D relief. This can lead to no claim being made, or a claim being made that doesn't qualify.

HMRC already offer voluntary advance assurances to businesses to help them have more certainty about their claim. However, this service is not commonly used.

The government is consulting on widening the use of 'advance clearances' to try and make them more useful and reduce errors and fraud. One aspect being considered is whether to make assurances mandatory in certain areas – particularly those where HMRC feels the risk of an incorrect claim is high.

The consultation also considers whether there should be a minimum expenditure threshold before R&D relief can be claimed. In the past, a £25,000 threshold has been used.

Phoenixism to be tackled

‘Phoenixism’ is where company directors go insolvent to evade tax and write off debts owed to others, and then start a new business.

HMRC, Companies House and the Insolvency Service will be delivering a joint plan to better tackle those abusing the insolvency regime. This will include making more directors personally liable for the taxes of their company and increasing the number of enforcement sanctions.

One aspect that could affect newly formed companies is that HMRC may ask for an upfront payment of tax as security.

Final thought

Some may have hoped the Spring Statement would bring some relief from the Employers NI changes due to go into effect in April, however the Spring Statement mainly focused on government policies related to public, welfare and defence spending. Announcement of any further tax changes will now wait until the 2025 Autumn Budget.

If you are concerned about how any aspect of the Spring Statement may affect you, please get in touch with us. We would be happy to provide you with personalised advice.

Making Tax Digital for Income Tax regime extended to smaller businesses

The Spring Statement announced that Making Tax Digital for Income Tax (MTD for IT) regime will be further extended to smaller businesses.

Read on to see how and when your business might be affected.

What is MTD for IT?

Making Tax Digital for Income Tax (MTD for IT) is a government initiative that requires self-employed individuals and landlords with income over a certain limit to keep digital records and submit quarterly tax updates to HM Revenue and Customs (HMRC) using compatible software.

Who does MTD for IT apply to?

These rules are mandatory and come into effect from 6 April 2026 for sole traders and property landlords who generated trade and rental income of more than £50,000 in the 2024/25 tax year.

This income threshold will then drop so that sole traders and property landlords with income of more than £30,000 in the 2025/26 tax year will be brought into MTD for IT from 6 April 2027.

The Spring Statement has now confirmed that this threshold will be reduced further so that sole traders and property landlords with income over £20,000 in 2026/27 will have to comply with the rules from 6 April 2028.

MTD for IT will also affect how tax returns are submitted

It has also now been confirmed that if you are required to use MTD for IT, your end-of-year tax return must also be submitted using MTD-compatible software. It won't be possible to use a free HMRC online service.

What can you do?

This may be a big adjustment in the way you keep your accounting records. Please feel free to get in touch if so. We would be happy to provide advice, recommendations and training, if needed, so that you can meet this new requirement with the minimum hassle and stress.

Could Embracing the Great Outdoors Add to Your Business Success?

With the Easter holidays fast approaching, children and their families in Cornwall are being encouraged to embrace the great outdoors through Wild Wellbeing workshops. Organised by Natural England in collaboration with the NHS Cornwall Mental Health Support Team, Cornwall Wildlife Trust, and the National Trust, these workshops are designed to promote mental wellbeing by fostering a deeper connection with nature.

This initiative aligns with growing research showing that time spent in nature can have profound effects on mental and physical health. But while these workshops are targeted at children and their families, the benefits of nature are just as relevant for business owners.

The Business Benefits of Being in Nature

Running a business can be stressful, with long hours, financial pressures, and the ever-present demands of managing employees and customers. However, incorporating nature into your daily routine and business practices can have a transformative impact on your wellbeing and productivity. Here's how:

1. Boosts Mental Clarity and Creativity: There are studies that indicate that spending time in nature can help improve cognitive function and creativity. A walk in a green space could help clear your mind, allowing you to approach business challenges with fresh perspectives and innovative solutions.

2. Reduces Stress and Enhances Wellbeing: Studies have also found that being in nature seems to help lower cortisol levels, the hormone associated with stress. Whether it's a short break outside or a weekend retreat in the countryside, finding a way to give yourself regular exposure to green spaces could help you manage stress more effectively.

3. Encourages Mindful Leadership: The NHS Five Ways to Wellbeing initiative—Connect, Take Notice, Be Active, Keep Learning, and Give—aligns well with principles of effective business leadership. Taking notice of your surroundings, practicing gratitude, and fostering meaningful connections with colleagues can lead to a more positive and productive work environment.

How Business Owners Can Incorporate Nature Into Their Routine

If you're looking to integrate the benefits of nature into your business lifestyle, here are a few practical ideas:

- Outdoor Meetings: Instead of holding every meeting in a boardroom, take a walking meeting in a nearby park. Fresh air and movement can lead to more engaged discussions and creative problem-solving.

- Workplace Green Spaces: If possible, create a green space within your office environment—whether it's indoor plants, a small garden, or an outdoor seating area.

- Encourage Outdoor Breaks: Encourage employees (and yourself) to step outside for breaks, even if it's just for a few minutes to reset and recharge.

- Team Retreats in Nature: Consider organising team-building activities in natural settings, such as hiking trips, wellness retreats, or conservation volunteering days.

- Flexible Working for Outdoor Time: If you have the flexibility, schedule work-from-home days where you can work in a garden or take advantage of natural surroundings.

A Natural Path to Business Success

Embracing nature isn't just about personal wellbeing—it's also about fostering a positive and sustainable business culture. By making small but intentional changes, you can enhance your own productivity and create a healthier, happier workplace for your team.

So, as Cornwall's children head outdoors to connect with nature in the holidays, why not take inspiration and explore how the natural world can support your business journey?

Lessons for Business Owners from Ant Middleton's Director Ban

The recent disqualification of television personality Ant Middleton and his wife, Emilie Middleton, as company directors provides valuable lessons for business owners. Their company, Sway and Starting Limited, failed to pay over £1 million in taxes, despite receiving more than £4.5 million in income. The company eventually went into liquidation, with a significant overdrawn director's loan account.

This case highlights key financial and legal responsibilities that business owners should keep in mind to avoid similar issues.

1. The Importance of Paying Taxes on Time

A key issue in this case was the failure to pay VAT and corporation tax, despite the company having sufficient income. It probably goes without saying that meeting tax obligations is an essential part of running a business, and as this case shows, failing to do so can lead to penalties and restrictions on future directorships.

Lesson: Ensure that tax liabilities are calculated correctly and paid on time. Working with a qualified accountant or tax advisor can help keep your business compliant.

2. Manage Director's Loans Responsibly

The company's financial difficulties were compounded by a substantial director's loan account that added to the financial strain of the business.

Lesson: If you take money out of your business as a director's loan, ensure that the amount does not put the business under financial strain and that it is properly recorded, repaid in a timely manner and is in line with legal and tax requirements.

3. Understanding Director Responsibilities

As directors, Ant and Emilie Middleton had a duty to ensure the company met its financial obligations. Their disqualification highlights the importance of understanding and fulfilling these responsibilities.

Lesson: Directors should be aware of their legal obligations and ensure they act in the best interest of the company. This isn't something you have to tackle on your own. Professional advice and training from firms such as ours can help in navigating these duties effectively.

4. The Importance of Sound Financial Management

The company had strong revenue figures, but it appears that the finances were mismanaged. This can happen even unintentionally in a business where there's a lack of information or discussion about the finances. Taking proactive steps to manage business finances effectively can help avoid difficulties in the future.

Lesson: As a director, you need to make sure that detailed financial records are kept. Regularly reviewing financial reports will help you to see how the business' finances are doing and spend funds responsibly. Establishing strong financial controls so that you don't overspend can support long-term success.

Final Thoughts

This situation serves as a reminder of the importance of financial responsibility and regulatory compliance in business. By maintaining good financial practices, meeting tax obligations, and understanding director responsibilities, business owners can help ensure the smooth running of their companies.

If you need any help with your responsibilities as a director, or would like assistance with a financial system that provides you with the information you need to better manage your business, please get in touch. We would be happy to help you!

See: https://www.gov.uk/government/news/television-personality-ant-middleton-banned-as-company-director-over-unpaid-taxes

£2 billion Grant Funding for 18,000 New Social and Affordable Homes

Construction sector businesses welcomed the announcement made by the Chancellor and Deputy Prime Minister that the government will be making a £2 billion investment for the building of 18,000 new social and affordable homes.

Sites available for development in Manchester and Liverpool may be the first to benefit from the funding, the majority of which will be spent in 2026/27. Projects being helped by the funding will need to have started by March 2027 and finish by June 2029.

The investment is an initial step ahead of more long-term investment that is currently being planned. The government has said they will set out the full funding for 2026/27 and beyond at the Spending Review later in the year.

See: https://www.gov.uk/government/news/2-billion-new-investment-to-support-biggest-boost-in-social-and-affordable-housebuilding-in-a-generation

£20 million Investment in Community Housing

The government has announced a £20 million package that will help community land trusts, housing cooperatives and other community groups to build over 2,500 new homes in the next 10 years.

Some advantages of community-led housing projects include having local people locate and design new homes that meet the specific needs of their local area. It is also possible for community groups to access land and be given planning permission in situations where speculative developments cannot.

The investment is aimed at helping achieve the government's wider homebuilding plans and is being provided at a scale that has not been done before. The funding should help community groups more easily access the housebuilding capital they need for projects.

Community-led housing can deliver much-needed affordable housing in their area and is used more widely in other countries in Europe. It is thought that this could be an under-utilised source of building affordable homes for communities.

The £20 million will be invested in a social finance fund that will be run by Resonance Limited, a social finance company that has experience in supporting the delivery of community-led housing. They will use the investment to attract up to £30 million in match funding from the private sector, local authorities and combined mayoral authorities. It is expected that Resonance will begin making direct investments in schemes over the next few weeks.

Housing and Planning Minister, Matthew Pennycook said: "This investment will help community-based organisations overcome barriers to housing delivery and will support the growth of the community-led housing sector."

See: https://www.gov.uk/government/news/government-paves-the-way-for-local-people-to-build-more-homes

UK Export Finance Hosts Event to Boost Women-Led Businesses in International Trade

Over 100 female entrepreneurs, banking representatives, and government officials gathered in Leeds last week for an event focused on breaking down financial barriers for women-led businesses.

Hosted by UK Export Finance (UKEF) and with speakers from Female Founder Finance and the Invest in Women Taskforce, the event celebrated the success of British businesswomen while exploring ways to increase access to finance and international trade opportunities.

UKEF, the government's export credit agency, provided over £570 million in financing for small businesses last year. However, it is estimated that the UK economy would grow by around a quarter of a trillion pounds if women received more investment opportunities. As a result, UKEF is aiming to increase support for women-led firms as part of its business plan.

Gareth Thomas, Minister for Exports, emphasised the government's commitment to improving access to finance for female entrepreneurs, highlighting UKEF's new partnership with Female Founder Finance. The collaboration aims to streamline financing referrals, reducing missed opportunities for women owners.

Founder of Female Founder Finance, Roxanne Goodman, called the partnership a "game-changer" for women-led businesses, stressing that better access to trade finance will empower more female entrepreneurs to succeed on the global stage.

The event follows the Chancellor's endorsement of the Invest in Women Taskforce, part of a wider government initiative to drive economic growth by increasing investment in women-led businesses.

See: https://www.gov.uk/government/news/women-leaders-gather-in-leeds-to-help-unlock-sme-business-growth

Changes Coming to GB-NI B2B Parcel Movements in May

From 1 May 2025, all B2B (business to business) parcels travelling from Great Britain to Northern Ireland will need to have information submitted onto the Customs Declaration Service.

This is something your parcel carrier will typically handle; however, you will need to provide them with additional information so that they can do this. In some cases, you may also need to pay duty. If you are affected, we recommend you speak to your parcel carrier to find out how they will be handling this.

Eligible goods that move from a business in Great Britain to a business in Northern Ireland that are for sale to, or final use by, end consumers who are located in the UK will be covered by the UK Internal Market Scheme (UKIMS). This means that they will not need a full international customs declaration and will incur no duty.

This arrangement only applies to goods sent to businesses in Northern Ireland.

However, parcels sent to consumers (private individuals) from Great Britain to Northern Ireland can take advantage of alternative arrangements that mean there are no individual customs declarations, no duty and goods do not need to be presented to customs authorities.

Further guidance on the new arrangements can be found here.

Finance Secretary expresses disappointment in Spring Statement

Scotland's Finance Secretary, Shona Robison expressed her disappointment in the Spring Statement on the basis that it could risk harming some of the most vulnerable people in society.

She expressed in no uncertain terms her concern that the welfare cuts would detrimentally affect disabled people. She also complained about the employers NI costs that will be paid by Scotland's public services describing this as short-changing services that people rely on.

Ms Robison did however welcome news of investment in defence spending.

See: https://www.gov.scot/news/uk-spending-cuts-risk-harm-to-most-vulnerable/