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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!

MTD for Income Tax: Less Than a Year to Go

If you're a sole trader or landlord with annual income over £50,000, a major change is coming your way. From 6 April 2026, you may be required to keep digital business records and submit quarterly updates to HM Revenue and Customs (HMRC) under Making Tax Digital (MTD) for Income Tax.

This is one of the biggest shifts in Self Assessment since it was introduced, and while there are potential benefits, it will also mean significant changes in how you manage your accounts.

What's Changing?

Under MTD for Income Tax, affected individuals must:

- Keep digital records using MTD-compatible software.
- Submit quarterly updates of income and expenses to HMRC.
- File an end-of-year digital tax return (replacing the annual Self Assessment tax return).

The qualifying income threshold refers to total income from self-employment and property (before any expenses or allowances are deducted).

MTD aims to move the tax system towards more frequent, digital reporting. While some businesses may find it helps with financial organisation and reduces errors, it also means a shift away from the once-a-year tax return process that many are familiar with.

The Pros and Cons

You may find some potential benefits from the new system, such as:

- More up-to-date information about your tax position.
- Possible time savings at year-end if records are kept properly throughout the year.
- Reduced risk of errors in tax reporting.

However, there are going to be some potential challenges too:

- Additional administrative burden, with four quarterly update submissions plus an end-of-year tax return.
- Requirement to purchase or subscribe to compatible accounting software, if you don't do so already.
- A learning curve for those less familiar with digital bookkeeping.

For many sole traders and landlords, the biggest adjustment will be the need for regular digital record-keeping rather than dealing with tax in one go at the end of the year.

What Happens Next?

MTD is gradually being introduced so that it will eventually be a requirement for any self-employed individual or landlord with qualifying income over £20,000.

- From April 2026, self-employed businesses and landlords with qualifying income over £50,000 will need to comply with the new MTD requirements.
- From April 2027, the threshold falls to £30,000.
- From April 2028, it drops again to £20,000.

HMRC is currently encouraging businesses to join a testing programme, which allows participants to familiarise themselves with the new system before it becomes mandatory. During testing, there will be no penalties for late quarterly updates, making it a safer time to learn the process.

How We Can Support You

Whether you want help choosing software, setting up your digital records, or simply understanding what's changing, we're here to guide you through the transition. Every business will be different - some may need only minor tweaks to their processes, while others may face a bigger adjustment.

If you'd like to discuss how MTD will affect you, or how best to prepare, please get in touch.

Cyber Governance: Why Boards Need to Take the Lead

For most businesses today, digital technology is fundamental to operations. With that comes the growing reality that cyber security is no longer just an IT issue - it's a business owner and board-level responsibility.

Managing cyber risks effectively is now as essential as managing financial, legal, or operational risks. Increasingly complex supply chains and evolving threats make strong cyber governance critical not just for resilience, but for business continuity and sustainable growth.

To provide support in this area, the National Cyber Security Centre (NCSC), working alongside the Department for Science, Innovation and Technology (DSIT) and industry experts, has developed a set of resources.

While these resources have not been specifically designed for smaller businesses, the practical insights contained in the guidance can be useful to businesses of all sizes.

The resources are split as follows:

- Cyber Governance Code of Practice – sets out the most critical governance actions that directors need to take ownership of.
- Cyber Governance Training – confirms why and how board members take those actions.
- Cyber Security Toolkit for Boards – underpins the above two, providing in-depth support.

These tools are designed to be practical, with input from organisations like NEDonBoard to ensure relevance for board members.

While many businesses will already have some cyber security measures in place, these resources aim to help boards review whether governance structures are sufficiently robust - and, if necessary, strengthen them.

Good cyber governance is not just about compliance; it can also improve resilience of your business, protect your reputation, and put you in a better position for growth in a digital economy.

To review the guidance, see: <https://www.ncsc.gov.uk/cyber-governance-for-boards/overview>

How Rejection Can Fuel Business Success

Nobody enjoys rejection. Whether it's a declined loan application, a missed contract, or an investor turning you down, rejection can sting - especially when you've poured your energy and passion into your business.

But rejection, uncomfortable as it is, can often be a powerful catalyst for success. In fact, many successful entrepreneurs credit their biggest breakthroughs to the lessons they learned when things didn't go to plan.

Here's why rejection could be one of the most valuable experiences for your business journey.

1. Rejection Encourages Reflection

When we experience rejection, it forces us to step back and reassess. Was my sales pitch as strong as it could have been? Is the business plan really robust? Are we speaking to the right audience?

This kind of honest reflection can uncover weaknesses we might otherwise have missed - and allow us to strengthen our business models, sharpen our strategies, and approach the next opportunity better prepared.

2. It Builds Resilience

Running a business inevitably involves setbacks. Those who succeed long-term aren't the ones who avoid failure altogether - they're the ones who get back up after a knock.

Each rejection you survive strengthens your resilience. It builds the kind of persistence and adaptability that's essential for navigating the inevitable ups and downs of business life.

3. Rejection Can Point You Towards Better Opportunities

Sometimes a 'no' clears the way for a much better 'yes.' A declined funding offer might push you to seek out a partner who's a better fit. A lost customer could free up time to focus on higher-value work.

While it's natural to feel disappointed initially, rejection can actually redirect your efforts toward opportunities that are more aligned with your goals, values, and long-term success.

4. It Teaches You How to Handle Criticism

Rejection often comes with feedback - not always well-delivered, but valuable nonetheless. Learning to separate personal feelings from constructive criticism is a vital skill for any business owner.

If you can view feedback objectively, you can use it to make real improvements. Over time, you'll build not only a stronger business but also stronger relationships with clients, investors, and collaborators.

5. Every Successful Entrepreneur Has Faced Rejection

It's easy to look at successful businesses and assume they had a smooth journey - but behind almost every success story is a long list of rejections.

- J.K. Rowling faced multiple rejections before Harry Potter was published.
- James Dyson built more than 5,000 prototypes before perfecting his vacuum cleaner.
- Airbnb was rejected by investors several times before becoming a global brand.

Persistence in the face of rejection isn't a sign of foolishness; it's often a necessary part of the process.

Final Thoughts

Rejection is painful, but it's also a sign that you're pushing boundaries, taking risks, and putting yourself out there - all of which are essential for business growth.

If you can use each setback as a learning opportunity rather than a stopping point, rejection can become one of the most powerful tools in your entrepreneurial toolkit.

If you'd like to chat about how to build financial resilience into your business planning - or simply want some guidance for navigating the ups and downs of business life - we're always here to help.

Why Business Owners Must Stay Involved: Lessons from Elon Musk's Recent Shift

Recent news about Elon Musk offers a timely reminder for business owners about the risks of losing focus on their core operations. After Tesla reported a sharp drop in profits and sales at the start of this year, Musk announced he would "significantly" reduce his involvement in his US government role with the Department for Government Efficiency (DOGE), refocusing more of his time on Tesla.

We are not here to discuss the politics of Musk's government involvement, but the situation highlights a critical lesson: business owners need to stay actively engaged in their businesses, particularly during challenging periods.

When owners become too distracted by external commitments, even capable managers may struggle to maintain the same vision, energy, and strategic oversight that a founder or key leader brings. It can lead to slower decision-making, misaligned priorities, and missed opportunities - all of which can erode performance over time.

That's not to say leaders must micromanage. Effective delegation is essential for growth. However, delegation requires structure, including:

- Setting clear expectations and goals.
- Regularly reviewing key metrics and financials.
- Staying close to strategic decisions, while trusting managers with day-to-day execution.
- Maintaining visibility with customers, investors, and employees.

Delegation without accountability can quickly become abdication - and the business can drift off course before the owner realises.

Musk's pivot back to Tesla underscores how important it is for business leaders to balance external ventures carefully, especially when core performance starts to slip. Active leadership remains one of the greatest competitive advantages any business can have.

See: <https://www.bbc.co.uk/news/articles/cy0x50yr46lo>

What the Latest IMF Forecast Means for Business Owners

The International Monetary Fund (IMF) has predicted that the Bank of England could cut interest rates three more times this year, despite the UK facing higher-than-expected inflation.

Inflation in the UK is now forecast to be 3.1% for 2025 - the highest among advanced economies - largely driven by higher utility and energy bills. However, the IMF believes this spike will be temporary, paving the way for further rate reductions. It expects inflation to fall back to 2.2% by 2026, close to the Bank of England's long-term target.

For business owners, potential rate cuts offer both opportunities and challenges:

- Lower borrowing costs could make it cheaper to invest, expand, or manage cash flow.
- Persistently high costs - especially energy and utilities - could still squeeze margins in the short term.
- Global uncertainty, including US tariffs, could affect supply chains, trade opportunities, and demand, depending on your sector.

The IMF also downgraded its growth forecast for the UK economy in 2025 from 1.6% to 1.1%, reflecting the impact of global trade tensions, particularly from new US tariffs. While this is a slowdown, it still places the UK ahead of France, Italy, and Germany.

The message for businesses is clear: while interest rate cuts could support borrowing and investment, ongoing cost pressures and global instability mean careful financial management and resilience planning remain essential.

See: <https://www.bbc.co.uk/news/articles/cy9vy7yq849o>

AI Adoption on the Rise Among Small Businesses: A Boost for Productivity

According to new research, small and local businesses across the UK are increasingly embracing artificial intelligence (AI) tools to improve efficiency and streamline everyday operations.

A study led by Professor Ross Brown of the University of St Andrews Business School found that SMEs using AI tools could achieve productivity gains of between 27% and 133%. Based on interviews with nearly 10,000 businesses conducted by the Department for Business and Trade, the findings suggest AI could play a significant role in helping small and medium sized businesses make productivity gains.

Professor Brown explained, "AI potentially offers SMEs short cuts that provide quick productivity wins, like planning staff rotas or reducing food waste in a small restaurant. These solutions are inexpensive and relatively easy to implement."

Faire, a wholesale marketplace used by independent retailers, has also conducted its own research that highlights the growing appeal of AI. It found that 83% of 300 surveyed small businesses reported using AI tools, with more than a third doing so daily.

Examples of its use include using AI to help with marketing tasks, such as writing product descriptions and blog posts.

However, many also remain cautious in what they use AI for. For instance, over-relying on the technology for core business decisions.

While some business owners remain cautious, there's no doubt that AI is proving to be valuable for managing many time-consuming tasks. For small businesses, AI could become an increasingly important tool in the growth of their business.

See: <https://bmmagazine.co.uk/in-business/small-businesses-embrace-ai-for-quick-productivity-wins-study-finds/>

Scottish Government Seeks Views on Possible Exemptions from Rent Controls

The Scottish Government has launched a new consultation on potential exemptions to upcoming long-term rent controls proposed in the Housing (Scotland) Bill.

Landlords, tenants, and others in the rented sector are being asked for their views on circumstances where rents might be allowed to increase above the cap. This could include cases where landlords have made significant property improvements or where rents have been consistently set below market rates. Exemptions could also apply to specific types of housing, such as mid-market rent and Build to Rent properties.

The consultation also looks at clarifying rules around ending private sector joint tenancies.

Social Justice Secretary Shirley-Anne Somerville commented that the rent controls aim to provide greater certainty and affordability for tenants during the cost-of-living crisis, however the consultation is aimed at making sure the balance is right. She said: "We want landlords to have the confidence to invest and continue to provide good quality, affordable homes."

To view and respond to the consultation, which closes on 18 July 2025, see: <https://consult.gov.scot/local-government-and-communities/housing-scotland-bill/>