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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!

Mitigating the long-term effect of inflation

With continuing inflation in the UK, many of us and our businesses have been put “off track” in the short to medium term. The Bank of England recently increased interest rates by a quarter of a percentage point to 4.25 per cent, despite the turmoil that has engulfed banking in recent weeks. The rise was as expected by economists in view of the latest data showing inflation rising to 10.4 per cent in February and annual food prices spiralling to 15 per cent last month.



Andrew Bailey, the Bank of England governor, said last week that recent financial turmoil would not stand in the way of the central bank controlling inflation with higher interest rates.

Inflation is a problem for most of us. Savers find that the value of their cash is being rapidly eroded. At 10% inflation, the £100 you save today will only buy £90 worth of goods in a year's time. Many people find that their household budgets are stressed.

If you are struggling with your mortgage repayments and can't get back on track, it's important you don't ignore the problem. There's a lot of help available. Money Helper

has a 5-step guide and a budget planner to help manage your money. See: [Mortgage arrears or problems paying your mortgage | MoneyHelper](#)

Even borrowers, who might be expected to benefit from inflation when the value of what they owe is falling, suffer when inflation triggers increases in interest rates.

So, what can you do to protect your long-term finances and combat inflation?

1. Protect your retirement income

Inflation has an enormous impact on how long retirement savings will last. The income that seems more than adequate when you start your golden years can look less than generous after 10 years of inflation, and a recipe for misery after 20. A basic level annuity will mean having the buying power of your income eroded every year. An inflation-linked annuity will start off providing a much smaller income, but one that keeps increasing over time. A drawdown pension – where your pension pot remains invested, and you draw down an income as you need it - is more flexible, but you will still need to take care to avoid running out of cash.

2. Avoid locking your cash savings away

Savers should benefit when higher inflation leads to the Bank of England increasing the Bank Rate. But beware – although the rates offered by savings providers are rising, they have not yet done so enough to come anywhere near inflation.

However, with the Bank Rate forecast to rise further and with savings deals forecast to follow, there could be better deals to be had over the next few months. Shop around for the best deal – and avoid locking your savings into a long-term deal, because it could mean missing out on much better rates in the near future.

3. Look at your investment strategy

In an inflationary world, investing – where your cash is used to buy something which could appreciate in price – could be more rewarding than saving.

While inflation erodes the value of cash savings, it actually works to boost the value of some investments. But how should you invest? Bond investment becomes less attractive in times of inflation, as the income provided by bonds is subject to inflation.

Investors can protect themselves by buying index-linked bonds, where the interest paid rises in line with inflation. Some business sectors will suffer during inflationary periods. Oil and mining companies can tend to do well as rising commodity prices are good for their bottom lines. Utility groups often pay dividends linked to inflation. However, inflation could be bad for others such as retailers and supermarkets, which may lack the ability to increase prices. Luxury goods may be shunned when households tighten their belts.

4. Secure a low-rate mortgage before rates rise

Inflation has already triggered rate rises, and mortgages are substantially more expensive than they were last year. This process could continue – the Bank of England has hinted as much. To avoid increasing interest costs which could mean

that buying your home becomes difficult or even impossible, it makes sense to try and secure the lowest rate you can for your mortgage, fixed for the longest possible period.

5. Get some expert help.

Managing money in inflationary times can be challenging – but the challenges can be much more manageable if you have an expert to call on, so talk to your financial adviser. If you don't have one see: [Choosing a financial adviser | MoneyHelper](#)

UK and EU formally adopt the Windsor Framework

Last week, the Foreign Secretary, James Cleverly, and Vice President to the European Commission, Maroš Šefčovič, met to sign off the Windsor Framework at the Withdrawal Agreement Joint Committee in London.

The meeting follows the vote in the House of Commons, where MPs supported legislation on the Stormont Brake. The Brake introduces a democratic safeguard that will give Northern Ireland institutions, once restored, a role in the decision on whether significant new goods rules should apply in Northern Ireland.

The EU also formally agreed to the key elements of the Windsor Framework during a Council of the EU.

See: [UK and EU to formally adopt the Windsor Framework - GOV.UK \(www.gov.uk\)](#)

UK Employer taxes update – Online P11D reporting

As the new tax year approaches, we highlight some important employer developments and changes to legislation and allowances relating to UK employer taxes, especially about online P11D submissions.



Spring Budget 2023

On the 15 March, the Chancellor of the Exchequer, the Rt Hon Jeremy Hunt MP, made his Spring Budget announcements.

Headline tax measures announced include reforms to capital allowances, changes to the pension allowances and a series of rate changes.

Information on all the measures announced can be found in the [Budget Red Book](#). You can also read an [overview of tax legislation and rates](#) announced.

Reporting expenses and benefits for the tax year ending 5 April 2023

For existing employers who already submit the original P11D and P11D(b) returns online, there is no change. For those remaining employers who have submitted paper returns in previous years, from 6 April 2023, they will need to submit their original P11D and P11D(b) returns online.

HMRC is changing legislation to mandate the submission of original P11D and P11D(b) returns online through one of the following:

- [PAYE Online for Employers](#)
- [payroll software that is recognised by HMRC](#)

HMRC will no longer accept paper P11D and P11D(b) forms. This includes lists. For employers who need to submit up to 500 P11D and P11D(b) returns, the free HMRC PAYE online services can be used. For anything more, 3rd party software is required.

HMRC will publish electronic versions of the P11D and P11D(b) forms on GOV.UK, which will enable employers and agents to submit amended forms electronically from 6 April 2023.

No software changes are required, as this electronic form is not part of the current online services.

Paper P11D and P11D(b) (original or amendment) forms submitted from 6 April 2023

If an employer submits a paper P11D or P11D(b) (original or amendment) from 6 April 2023 the form will be rejected on the basis that it has not been submitted to HMRC in the prescribed manner. The employer or agent will be notified of the rejection and sign-posted to the correct process.

Please talk to us about any of these changes to legislation and submitting your returns, we will be delighted to assist!

Sea-change in UK boardrooms as women make up nearly 40% of FTSE 100 top table roles

The UK has climbed to second in the international rankings for women's representation on boards at FTSE 100 level, with new data being released showing that nearly 40% of UK FTSE 100 board positions are now held by women, compared with 12.5% just 10 years ago.

The data has been published in a new report by the government-backed FTSE Women Leaders Review, which monitors women's representation in 24,000 positions on FTSE 350 Boards and in leadership teams of the UK's biggest

companies, building on the success of the previous Hampton-Alexander and Davies Reviews.

The findings demonstrate a major sea-change in attitudes to getting women leaders to the top table of business in the UK, with women's board representation increasing in 2021 across the FTSE 100 (39.1%), FTSE 250 (36.8%) and FTSE 350 (37.6%).

The report highlights the success of the UK government's voluntary, business-led approach to setting targets for getting more women on boards, as the UK progressed from fifth to second in the international rankings at FTSE 100 level, leapfrogging countries such as Norway, which enforces a mandatory quota system on businesses.

See: [Sea-change in UK boardrooms as women make up nearly 40% of FTSE 100 top table roles - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/sea-change-in-uk-boardrooms-as-women-make-up-nearly-40-of-ftse-100-top-table-roles)

UK Space Agency to co-host Summit for Space Sustainability

The UK Space Agency will co-host a global summit to agree new ways of ensuring a safe, sustainable, and secure space environment, including tackling space debris which threatens the satellites we rely on in our daily lives.

The [4th Summit for Space Sustainability](#), hosted with the Secure World Foundation in London on the 22 and 23 June, brings together government, industry, and academics from around the world to discuss how to ensure the sustainability of space operations.

Orbital congestion created by space debris is one of the biggest global challenges facing the space sector. There are currently around 30,000 pieces of debris in orbit large enough to be tracked from Earth such as old satellites, spent rocket bodies and even tools dropped by astronauts. But there are also an estimated 130 million pieces of smaller debris.

Space debris can stay in orbit for hundreds of years and present a real danger to the rapidly increasing number of new satellites being launched each year which provide vital services, including communications and climate change monitoring.

See: [UK Space Agency to co-host Summit for Space Sustainability - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/uk-space-agency-to-co-host-summit-for-space-sustainability)

UK bosses join mission to get more prisoners into work

Industry chiefs from firms including the Co-op, Greggs, Iceland, and Oliver Bonas have now been appointed as Employment Advisory Board chairs in all 92 resettlement prisons, which help prepare prisoners nearing the end of their sentence for release into the community.

The Boards link prisons to leading business figures who can offer their expertise on the skills, qualifications and training needed to help prisoners re-enter the workforce.

Using these insights, prisons can tailor their training and workshops to match local labour market demands so ex-offenders are job-ready when they walk out the prison gate.

The initiative was originally launched in March 2022 and will play an important role in enhancing the UK economy while tackling the £18 billion annual cost of reoffending, with ex-prisoners in steady employment being nine percentage points less likely to reoffend.

See: [Leading UK bosses join mission to get thousands more prisoners into work - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/leading-uk-bosses-join-mission-to-get-thousands-more-prisoners-into-work)

Extending the “Income tax cash basis” for the self-employed

This HM Revenue & Customs (HMRC) consultation seeks views and feedback on proposals to increase eligibility and use of the income tax cash basis for the self-employed. These proposals aim to increase the number of businesses able to benefit from the simplifications the regime offers, making the rules easier to apply and understand, and to help businesses spend less time filing their tax returns.

What is income tax cash basis?

The cash basis is a simplified regime for calculating taxable profits for businesses with straightforward tax affairs. The regime allows businesses to calculate their taxable profit as the difference between income and expenditure when money is actually received or paid out. This eliminates accounting and tax complexities such as accruals and most capital allowances and simplifies reporting.

There are four policy proposals

The consultation will focus on the four following policy proposals, but welcomes other ideas:

- increasing the turnover thresholds for businesses to use the cash basis;
- setting the cash basis as the default, with an opt-out for accruals;
- increasing the £500 limit on interest deductions in the cash basis; and
- relaxing restrictions on using relief for losses made in the cash basis.

Who should respond to this consultation?

HMRC would like to hear from businesses, particularly self-employed businesses that use or would be eligible for the cash basis, their advisers, representative bodies, software providers, and other interested parties.

See: [Expanding the cash basis - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/expanding-the-cash-basis)

HMRC late payment interest rates to be revised after Bank of England increases base rate

The Bank of England Monetary Policy Committee announced on 23 March 2023 to increase the Bank of England base rate to 4.25% from 4%.

HMRC interest rates are set in legislation and are linked to the Bank of England base rate.

As a consequence of the change in the base rate, HMRC interest rates for late payment and repayment will increase.

These changes will come into effect on:

- 3 April 2023 for quarterly instalment payments, and
- 13 April 2023 for non-quarterly instalments payments.

Late payment interest is set at base rate plus 2.5%. Repayment interest is set at base rate minus 1%, with a lower limit - or 'minimum floor' - of 0.5%.

See: [HMRC late payment interest rates to be revised after Bank of England increases base rate - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/hmrc-late-payment-interest-rates-to-be-revised-after-bank-of-england-increases-base-rate)

Consumer warning on pre-paid probate plans

Pre-paid probate plans are unregulated in the UK. The Financial Conduct Authority (FCA) strongly advise that you consider carefully whether these products meet your needs and offer value before buying as there are no regulatory protections in place for you.

In England, Wales and Northern Ireland, probate is the legal right to deal with someone's property, money and possessions (their 'estate') when they die. It is usually required when the person who died owned property or significant assets in their own name. The equivalent in Scotland is called Confirmation.

The FCA have seen increased marketing of pre-paid probate plans in recent months, including from firms and individuals associated with funeral plan firms that they did not authorise, and whose customers lost money when they collapsed.

When designed and marketed appropriately, pre-paid probate plans could help people organise administration arrangements ahead of their death. But as the FCA do not regulate pre-paid probate firms, or the pre-payment of probate costs, there are no regulatory protections in place for you.

You should note in particular:

- Pre-paid probate plans are not protected by the Financial Services Compensation Scheme. This means that should the company fail, there is no guarantee that you will receive your money back.

- Commission is often included in the fee you pay. This increases the price of the plan. There is no commission ban on the sale of pre-paid probate plans (as there is for funeral plans).
- Your money may not be safe if the firm should fail as there are no rules requiring the money paid into plans to be held in trust or backed by insurance.

See: [Consumer warning on pre-paid probate plans | FCA](#)

Bank Holiday Reminder - The Coronation of His Majesty The King

The UK Government has announced an additional bank holiday for 2023 in honour of the coronation of His Majesty King Charles III. The bank holiday will fall on Monday 8 May following the coronation on Saturday 6 May.

See: [Coronation of His Majesty The King & Her Majesty The Queen Consort](#)

Grants for Fife businesses

Fife Council's SME Development Grant provides financial support to help Fife-based small and medium-sized enterprises (SMEs) to develop and grow.

The grant opens for applications on 1 April 2023. The deadline to apply is 31 January 2025.

The fund provides a non-repayable grant of up to £2,850, or 100% of the eligible costs (whichever is lower), to cover costs in 6 eligible areas:

- trade development,
- workforce upskilling,
- transition to net zero,
- research and development (R&D) and innovation support,
- agriculture business diversification, and
- support for studies.

Trade development

The trade development funding provides grants to:

- assist businesses with the cost of exhibiting at trade shows in the UK or Europe;
- assist businesses with the cost of participating in overseas trade missions; and
- support other costs associated with accessing new markets, such as exporting.

Workforce upskilling

The funding for workforce upskilling provides grants to help companies improve the productivity and profitability of their business by training and upskilling existing employees.

Transition to net zero

The transition to net zero funding helps businesses move towards achieving net zero emissions through a range of measures, including premises improvements, waste reduction or reuse, and the creation of green jobs.

Research and development (R&D) and innovation support

The R&D and innovation funding is primarily for micro-SMEs that are unable to access the R&D and innovation support provided by Scottish Enterprise.

Agriculture business diversification

The agriculture business diversification funding is to help agriculture businesses to develop agritourism and food and drink-focussed proposals, as well as to support the adoption of new approaches and technologies, including vertical farming.

Support for studies

The support for studies funding can help businesses that are required to undertake a study – for example, on ecological impact or noise assessment – as part of a project to develop new or existing premises.

The SME Development Grant is delivered by Business Gateway Fife on behalf of Fife Council and is fully funded by the UK Government through the UK Shared Prosperity Fund.

Applications are completed by a Business Gateway adviser, then checked, signed, and submitted by the business that's applying. Therefore, you must be working with Business Gateway Fife to be considered.

See: [Grants for Fife businesses \(findbusinesssupport.gov.scot\)](https://findbusinesssupport.gov.scot)

Fife Start-Up Grant

Fife Council's Start-Up Grant can provide individuals who intend to start a business in Fife with up to £500 towards the costs involved in starting to trade. Eligible costs include things such as equipment, stock, and certification.

The Start-Up Grant opens for applications on 1 April 2023. The deadline to apply is 31 January 2025.

Grants are offered at the discretion of a Business Gateway adviser, so you must be working with Business Gateway Fife to be considered.

The grant is paid retrospectively, so applicants will need to cover the costs upfront and then submit a claim with evidence of their expenditure to receive their grant.

Applications are completed by a Business Gateway adviser, then checked, signed, and submitted by the business that's applying.

The Start-Up Grant is delivered by Business Gateway Fife on behalf of Fife Council and is fully funded by the UK Government through the UK Shared Prosperity Fund.

See: [Fife Start-Up Grant \(findbusinesssupport.gov.scot\)](https://findbusinesssupport.gov.scot)

Export and international sales opportunities

The Scottish Enterprise website includes a list of export and international sales opportunities for Scottish businesses that operate in the consumer goods, food and drink, science and technology, and energy sectors.

The list is updated regularly. As well as available opportunities, it highlights the criteria that Scottish companies, products and services must meet to be competitive.

Interested companies can read more about the background of each opportunity, then register their interest to find out more or speak directly to a relevant international trade specialist.

Scottish Enterprise and its international arm, Scottish Development International (SDI), have a large team of trade specialists who work in key international markets to gather market intelligence, build relationships, and identify buyers and supply chain opportunities for ambitious Scottish companies.

See: [Export and international sales opportunities \(findbusinesssupport.gov.scot\)](https://findbusinesssupport.gov.scot)