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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!

Year-End Tax Planning: Maximising benefits for your business

We are now within the final two months of the tax year, and for many businesses, the end of the tax year is also the end of the business's financial year. This can be a good time to review your business tax planning to ensure that you minimise tax.

Assessing profit extraction methods

Particularly for limited companies, profit extraction methods can be a key part of tax planning. Whether it involves salaries, bonuses, dividends, or a combination of these, choosing the right strategy can significantly impact tax liabilities.

Optimising the method and timing of when you extract profits can mitigate tax while ensuring that owners and key staff are compensated fairly.

Dividends

Dividends are a fundamental part of the way any company distributes profit. For an owner managed company, though, dividends frequently play a key role in the owner's remuneration strategy.

Particularly as the tax year concludes, it is important to check the timing of your dividend payments. For instance, have you earned more this year than you expected? Might another dividend payment push you into higher rate tax? If so, deferring a dividend may help you.

By aligning dividend payments with tax thresholds and allowances, you may be able to reduce your tax exposure.

Capital allowances

Capital allowances are a tax relief available on many types of capital expenditure. Bringing forward or delaying the purchase of capital items, for example IT equipment or a refurb project, can help you to maximise the allowances available.

For companies whose profit level means they pay at the marginal relief rate, optimising capital allowance claims can also help to reduce the tax rate that a company would otherwise pay.

Naturally, it is always important to avoid letting the tax 'tail wag the dog,' but using capital allowances effectively can not only reduce tax liabilities but also help to fund vital investment in business assets.

Research and Development Tax Credits

If your limited company is involved in innovating, research and development (R&D) tax credits can be very worthwhile. However, claiming R&D tax credits requires thorough documentation and there are specific criteria that need to be adhered to.

As the business approaches its year end, it is a good time to check that records of R&D activity are up-to-date and complete.

R&D tax credits can reduce tax liabilities as well as provide funding for future innovative activities that keep your business on the front foot.

In conclusion, tax planning as the tax year-end approaches is an important part of leveraging the tax incentives available to you, minimising tax liabilities while staying compliant with tax laws.

If you would like help in proactively managing your tax liabilities, we have a range of tools and calculators as well as expert knowledge of the tax laws. Please feel free to call us, we will be pleased to help you!

How to recognise tax scam phone calls, emails and text messages

HM Revenue and Customs (HMRC) have recently published updated their guidance on how to identify tax scams made by phone, email, or text.

They advise that if you receive a phone call, email, or text message that purports to be from HMRC, it is likely to be fake if it:

- rushes you;
- is threatening;
- is unexpected;
- asks for personal information, such as bank details;
- tells you to transfer money; or
- offers a refund, tax rebate or grant.

HMRC also confirm what they will and won't do if they contact you.

By phone:

HMRC will never threaten arrest or leave a voicemail threatening legal action.

By text:

HMRC do send text messages that may include a link to GOV.UK information or HMRC webchat. They will never ask for personal or financial information. So, a text message that offers a tax refund in exchange for personal or financial details cannot be from them.

By WhatsApp:

If you have subscribed to the UK Government Channel, you may receive occasional tax-related reminders, but you will not be able to reply. HMRC don't otherwise use WhatsApp to communicate with taxpayers.

HMRC does use QR codes in its letters to take you to guidance on GOV.UK, but they confirm that you would never be taken to a page that requires you to provide personal information. QR codes might also be used after you have already logged in to redirect you to, say, your bank login page.

You can check whether a phone call, email or text is genuine by consulting HMRC's website here: https://www.gov.uk/government/collections/check-a-list-of-genuine-hmrc-contacts

Guidance, including some examples of HMRC related phishing emails, suspicious phone calls and texts is available here: https://www.gov.uk/government/publications/phishing-and-bogus-emails-hm-revenue-and-customs-examples/phishing-emails-and-bogus-contact-hm-revenue-and-customs-examples

If you are concerned about any phone calls, emails, or texts that you have received from HMRC, please do not hesitate to contact us and we will be happy to confirm whether or not it is genuine!

New Economic Crime Unit to tackle financial crime in the waste sector

A new Economic Crime Unit has been launched by the Environment Agency. Its role is to tackle money laundering and carry out financial investigations in the waste sector.

The Environment Agency has already been targeting waste crime with its Financial Investigations Team, and this new Unit will build on that work.

The Unit will be made up of two teams: the Asset Denial Team and the Money Laundering Investigations Team. The Asset Denial Team will focus on account freezing orders, cash seizures, pre-charge restraints and confiscations. The Money Laundering Investigations Team will be involved in conducting dedicated money laundering investigations that target environmental offences. A money laundering offence could result in a 14-year prison sentence for the offender.

To indicate the scale of the problem that waste crime is causing, Alan Lovell, Chair of the Environment Agency said that waste crime "costs our economy an estimated £1 billion every year."

The Environment Agency is keen to tackle this problem. For instance, in November 2023 they successfully prosecuted the operators of a quarry near Stevenage. The operators were handed prison sentences for storing and burying enough illegal waste to fill the Royal Albert Hall nearly three times over.

It is hoped that the new Unit will increase the Environment Agency's effectiveness in this area thereby reducing the load on legitimate business.

See: https://www.gov.uk/government/news/ensuring-crime-doesnt-pay-new-economic-crime-unit-to-tackle-money-laundering-and-carry-out-financial-investigations

Guidance for small businesses using online services

The National Cyber Security Centre have issued some new guidance on "Using online services safely."

To avoid having to set up and manage their own IT infrastructure, many small businesses use online or cloud services. For instance, these might include email, online storage, online accounting and managing of invoicing, website hosting, and social media.

The guidance is designed to help small businesses reduce the likelihood of cyber attacks when using these services.

The guidance provides help on:

- Choosing a good service,
- Backing up critical data,
- Protecting the domain name you use for your website and email addresses,
- Creating separate user accounts and securing them,
- Protecting your admin accounts,
- Defending against malware,
- Using the security features that are built into the service, and
- Recovering a hacked account or service.

If you are a small business without the resources to employ a dedicated IT specialist, this advice can help you to consider and cover off the risks you face when using online services.

For the guidance, see: https://www.ncsc.gov.uk/collection/using-online-services-safely

Bounce Back Loan fraudster sentenced

Salih Ozhot from North London has been given a suspended prison sentence of 2 years for applying for a Bounce Back loan in 2020 for his business but then using the funds personally. He is also required to repay the £50,000 he borrowed in full at the rate of £500 per month.

Insolvency Service Investigators found that Mr Ozhot had withdrawn £19,000 within one week of receiving the loan. Their analysis of subsequent transactions showed that he used the money for personal rather than business reasons. Mr Ozhot was declared bankrupt in October 2021.

The Insolvency Service described Mr Ozhot's actions as "cynical," "sophisticated," and "pre-planned." He is now barred from acting as a company director without permission from a court.

Bounce Back Loans were government guaranteed loans made available to support businesses during COVID-19. However, the Department for Business has come under criticism for being too lax with the application process and HMRC has estimated that the total amount of error and fraud across all COVID-19 support schemes could be as much as £5bn. The government has subsequently launched pilot programs to try and detect potential fraud.

See: https://www.gov.uk/government/news/court-orders-cynical-fraudster-who-abused-covid-support-scheme-to-repay-loan-in-full

Unlocking efficiency and growth: The benefits of cloud accounting

In business, staying ahead of, or at least up with, the curve is crucial for success. Over recent years, one of the revolutionary tools that has transformed the way businesses manage their finances is cloud accounting. Cloud accounting offers many benefits over traditional, on-premise accounting systems. Let's discuss some of them.

What are the benefits of cloud accounting?

Accessibility
Traditional accounting systems often tie businesses to a specific location, requiring users to be physically present in the office to be able to access financial data. Cloud accounting frees a business from this constraint. It gives users access to real-time financial information anytime, anywhere. This kind of flexibility and access can be very valuable, allowing teams to collaborate and decisions to be made regardless of location.

Cost efficiency
Cloud accounting operates on a subscription-based model, avoiding the up-front software licence costs usually involved in traditional accounting systems. Cloud accounting systems also typically receive automatic updates and maintenance, which can reduce the demand for IT support.

Security
The security of financial information is naturally a top concern for a business. Cloud accounting providers use advanced encryption measures to ensure that sensitive information is kept safe. These providers usually have dedicated teams focused on monitoring and addressing security threats too. This provides a level of protection that may be difficult to replicate on your own premises. Cloud accounting systems also include robust backup processes, which reduce the risk of losing data because of hardware failing.

Automation
With many cloud accounting systems - or by means of subscribing to linked automated data entry software – data entry can be automated. By uploading a copy of the invoice or receipt the software can 'read' the data and create the entry needed by the accounts system. While such systems rarely achieve 100% accuracy, the time-savings can be considerable and allow those dealing with finance to concentrate on more strategic work.

The benefits of cloud accounting can be transformative to a business and give you a competitive edge in today's dynamic market. Embracing this technology is not just a trend but can be considered a strategic move towards a more agile, responsive and prosperous business.

We have experience of various cloud accounting systems. If you would like an assessment of your current system to see how cloud accounting might help you, please do not hesitate to contact us!

Data sharing powers to continue following statutory review

The Digital Economy Act 2017 gave the government data sharing powers that allow it to combat fraud committed against the public sector.

A statutory review, which was published last week, shows that taxpayers have been saved £137 million because of these data sharing powers. The review showed that the Act has enabled more than 100 data sharing pilots across both local authorities and governments or agencies.

The savings were categorised as £99.5 million from identifying Covid-19 loan scheme fraud, £14.9 million from fraud identified in council tax and housing benefit systems, £5.1 million from identifying companies that were fraudulently misstating their accounting and corporate practices to avoid paying tax, and £5 million from council tax debt owed by those in employment.

As a result of the review, Baroness Neville-Rolfe, who is Minister of State for the Cabinet Office, decided to keep the fraud and debt powers contained in the Digital Economy Act. The government subsequently put a report to the UK and Scottish Parliaments and Welsh and Northern Ireland Assemblies summarising the conclusions of the review.

Four of the data sharing pilots have already been converted to standard practice and there are plans for more to join them. Respondents to the consultation expressed that they had no privacy concerns about the powers.

See: https://www.gov.uk/government/news/new-data-sharing-powers-save-taxpayers-137-million-since-introduction

New digital labelling legislation cuts red tape

UK businesses are welcoming new legislation that introduces digital import labels. The legislation aims to reduce red tape and cut millions in unnecessary regulation costs.

The move towards digital labelling allows businesses to upload regulatory and manufacturing information online rather than physically printing it on products. This should save both time and money that can be better invested in other business areas.

The new legislation includes continuing to recognise CE marking for products like toys and machinery.

See: https://www.gov.uk/government/news/new-laws-to-introduce-digital-labelling-for-businesses-and-reduce-regulation-costs

Forecast suggests positive news for Scotland's economy

The EY ITEM Club Scottish Winter Forecast predicts for Scotland's economy to gain momentum in 2024, driven by potential interest rate cuts, decreasing inflation, and energy prices. The forecast predicts Scottish Gross Value Added (GVA) will grow by 0.7% in 2024, a notable improvement from the previous year.

Private sector services are expected to drive growth from 2025 onwards with information and communication leading the way. Accommodation and food, and retail and wholesale are also predicted to play a part, while manufacturing and government services reduce.

Employment prospects seem generally positive, according to the report, although it notes that recruitment difficulties persist. Weak demographic growth, especially when compared to the rest of the UK, is likely to add longer term challenges to those difficulties.

The report also notes the effect the Scottish Government's December 2023 Budget will have on higher earners in Scotland. It highlights the disparity that this now creates in income tax in the UK, with the concern that this will make Scotland less attractive to skilled workers.

In summary, the report suggests that while Scotland's economy is showing signs of improvement, there are challenges in the tax disparities as well as recruitment difficulties. It encourages focused efforts on fostering growth sectors and addressing workforce concerns that will be essential for Scotland's economic trajectory in the coming years.

A copy of the report can be downloaded here: https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/news/2024/02/ey-item-club-scottish-winter-forecast-2024.pdf?download

Loan funding available through the Scottish Loan Scheme

Loans for Scottish companies that have a viable business plan and a clear ability to repay the debt are available from the Scottish Loan Scheme, a scheme supported by the Scottish Government.

Funding of between £250,000 to £2 million can be provided. Loans can be used for a variety of purposes, including for working capital, capital expenditure and funding growth.

There is no cost to apply and the scheme is open to companies based in Scotland that have been operating for at least two years with a minimum of £250,000 turnover.

Eligibility criteria is set out on their website. There are some restricted sectors.

If you are interested and need help putting together a business plan, please don't hesitate to get in touch. We have helped many businesses to obtain the loan funding they need and will be happy to help you!

See: https://findbusinesssupport.gov.scot/service/funding/scottish-loan-scheme