

Written by 29 July 2024

## **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!

### **Chancellor Launches Landmark Review to Boost Pensions and Investment**

The Chancellor, Rachel Reeves, has announced a significant review aimed at enhancing pension investments, increasing pension pots, and reducing waste in the pensions system. The review was highlighted in the King's Speech, confirming a new Pensions Bill that could significantly benefit UK pensioners and the broader economy.

Here's an analysis of what the review could mean.

#### Key Highlights of the Pensions Review

1. **Boost to Pension Pots:** The new Pensions Bill has the potential to increase pension pots by over £11,000 for savers in defined contribution schemes. The bill also emphasises further consolidation and broader investment strategies to deliver higher returns.
2. **Economic Impact:** An investment shift in defined contribution schemes could introduce £8 billion of new productive investment into the UK economy. The review will also look at how to unlock the investment potential of the Local Government Pension Scheme (LGPS), which manages £360 billion in assets and is the seventh largest pension fund in the world.
3. **Reducing Fees:** The review will address the £2 billion annual expenditure on fees within the LGPS, aiming to cut down on waste and improve efficiency.

#### Industry support

The announcement has received strong support from various industry leaders: For instance, António Simões, CEO of Legal & General Group, welcomed the initiative, noting that driving pensions capital into areas like science and infrastructure can support better returns for savers and stimulate long-term economic growth.

#### Timing

The first stage of the review will report in the next few months and will look at further measures that can support the proposed Pensions Bill.

The Chancellor's landmark pensions review aims to unlock significant investment into the UK economy while enhancing retirement outcomes for millions of pension savers. The review should bring good news for pension savers, but we watch to see whether good intentions can turn into secure retirements for all.

See: <https://www.gov.uk/government/news/chancellor-vows-big-bang-on-growth-to-boost-investment-and-savings>

### **Insolvency Service continues to tackle Covid Loan Abuse**

The recently released Insolvency Service's 2023-24 Annual Report and Accounts provides some interesting information on how the Service is doing in tackling Covid loan abuse.

The report identifies that 831 directors have been disqualified for abusing Covid loans. 22 criminal prosecutions have been carried out, and efforts have been made towards recovering nearly £3 million for the taxpayer.

In addition, the Report shows other more general enforcement work has been carried out. Including that a total of 1,222 directors were disqualified for various forms of misconduct. 139 live company investigations were conducted during the year and 45 companies were ordered to wind up for acting against the public interest.

The Insolvency Service were also able to return nearly £60 million to creditors, marking an increase of almost £15 million from the previous year.

Dean Beale, the Chief Executive of the Insolvency Service, expressed pride in the agency's accomplishments. He said:

"This year's Annual Report showcases how we are strengthening the insolvency regime to ensure it works effectively for all its stakeholders, whilst at the same time we continue to provide excellent service for all our customers. Our insolvency framework is rightly regarded as one of the best in the world and we want to maintain that reputation, keeping pace with the way people manage their affairs in today's environment."

See: <https://www.gov.uk/government/news/insolvency-service-continues-hard-work-to-tackle-covid-loan-abuse>

### **Nine out of ten small employers concerned about new legislation**

The King's Speech detailed proposals for a number of areas of new legislation that are likely to affect small employers.

The Federation of Small Businesses (FSB) subsequently reported that nine-in-ten employers surveyed by them had said they have concerns that the costs and risks associated with employing people would be increasing.

The FSB also noted that there was no legislation announced to tackle the poor payment practices of big businesses toward their small suppliers. FSB Policy Chair Tina McKenzie said late payment "hampers cashflow and stifles investment, and we call on the Government to look again."

See: <https://www.fsb.org.uk/resources-page/fsb-weekly-brief-newsletter-friday-19-july-2024.html>

### **IT outage causes significant global disruption**

On Friday 19<sup>th</sup> July there were significant IT outages affecting businesses across the globe. The outage primarily affected businesses that use security software from a company called CrowdStrike. A recent update to their antivirus software contained an error that caused issues in the systems of many of the world's leading businesses.

The National Cyber Security Centre (NCSC) has confirmed their assessment that the outages were not the result of a security incident or malicious cyber activity.

They have also encouraged affected businesses to apply the fix that has already been issued. Their statement also encourages businesses to continue installing security updates, saying that this is still an essential security practice.

NCSC have also reported that an increase in phishing that refers to the outage has already been seen. These may be aimed at organisations or individuals. Therefore, businesses would do well to help staff be particularly alert with their emails over the next few weeks.

NCSC guidance on how to defend your business from phishing attacks can be found here: <https://www.ncsc.gov.uk/guidance/phishing>

### **HMRC conducting Business Asset Disposal Relief checks**

The Institute of Chartered Accountants in England and Wales (ICAEW) have reported that HM Revenue and Customs (HMRC) are contacting taxpayers they believe may have overclaimed Business Asset Disposal Relief.

#### What is Business Asset Disposal Relief (BADR)?

BADR, which was formerly known as entrepreneur's relief, is a tax relief that's designed to encourage business owners to sell or dispose of their business assets by offering a reduced rate of capital gains tax. However, there is a lifetime limit to the amount of gains that can qualify for BADR. As of 2024, this limit is £1 million.

#### Why are HMRC writing to taxpayers about this?

ICAEW report that HMRC is writing to taxpayers who claimed BADR on their 2022/23 tax return where they believe the taxpayer has either exceeded the lifetime limit before 2022/23, and so the claim on the tax return should be removed, or the claim on the tax return has taken the taxpayer over the limit, and so the claim needs to be reduced in line with the limit.

This may be an issue for some taxpayers because the lifetime limit for disposals was reduced from £10 million on and after 11 March 2020. Taxpayers not aware of this

reduction therefore may have made a claim they believe is valid but isn't actually in line with the reduced limit.

#### What should you do if you receive a letter?

If you receive such a letter, then it's important to promptly check your claim. Where an adjustment is needed then you can simply amend your tax return. If you believe that your claim is in fact valid then HMRC need to be contacted within 30 days using the details contained in the letter.

Failing to do anything is likely to mean that HMRC will amend the return to discount the claim or open an enquiry into the return. If they then find any additional tax is due to be paid during the course of the enquiry, HMRC may charge a penalty.

Where we prepared your tax return, please simply hand the letter to us and we will be pleased to contact HMRC on your behalf. Whatever the case, if you are not sure about what to do, please feel free to contact us and we will be happy to help you.

See: <https://www.icaew.com/insights/tax-news/2024/jul-2024/taxpayers-may-have-exceeded-badr-limit>

### **Getting help with redundancy: The Redundancy Payments Service**

Losing a job can be a very challenging and stressful experience. However, if your employer has become insolvent and cannot pay you money that you are owed this adds even further to your stress.

If you are in this situation, the latest Annual Report from the Insolvency Service highlights some important information about the support available that may be available to you through the Redundancy Payments Service (RPS).

Here's what you need to know.

#### Key Figures and Support

In 2023-2024, the RPS received 85,592 claims for redundancy payments. Funded by National Insurance Contributions, the service disbursed a total of £494 million to individuals who had been left in financial distress due to their employers' insolvency. This means that there is substantial support available to help you get back on your feet.

#### Quick Processing of Claims

The report shows that on average, claims for redundancy payments are processed within 10 days. This is good news as it means you can expect to receive financial support relatively quickly, which may help to alleviate some of the immediate financial pressures you might have following a job loss.

#### What Can You Claim?

The RPS covers a variety of payments you might be owed, including:

- Redundancy Pay: This is compensation based on your length of service, age, and weekly pay.
- Unpaid Wages: Any wages you are owed by your former employer.
- Holiday Pay: Payment for any accrued but unused holiday.
- Statutory Notice Pay: If you didn't receive the notice period pay you were entitled to.
- Protective Awards: Compensation if your employer didn't consult you before making you redundant.

For example, last year, nearly 10,000 former employees of the high street chain Wilko received £53.7 million in redundancy and statutory notice pay, with claims processed within 24 hours. Additionally, protective awards included payouts to over 400 former employees of Debenhams and more than 700 former employees of Norwegian Air Resources UK Limited.

### How to Apply

If you need to apply for redundancy payments, the process is straightforward and can be completed online. Here are the steps to follow:

1. Check your rights: The Insolvency Service provide guidance on this at <https://www.gov.uk/government/publications/redundancy-payments-links-to-further-information-and-guidance/redundancy-payments-links-to-further-information-and-guidance>. From here you will be able to find out what your rights are, what you can apply for and the types of payments that can be made.
2. Prepare your details: You'll need to provide some details about yourself and your employment. The online application (see below) includes a list of the items you'll need to have on hand. You'll need a CN number to make an application. If you don't have one, then you can contact the insolvency practitioner who is handling your employer's insolvency, and they will provide you with this.
3. Submit your application: There are 2 applications to complete, and these must both be completed online. To claim for redundancy and other money you're owed by your employer, see: <https://www.gov.uk/claim-redundancy>. To claim for loss of notice pay, see: <https://www.gov.uk/claim-loss-notice>.
4. Understand the calculation: You may find it helpful to review what payments you can expect and when you can expect to receive them. For this see: <https://www.gov.uk/government/publications/redundancy-payments-from-the-insolvency-service/explaining-your-redundancy-payment>.
5. Await your payment: The Insolvency Service aim to process claims and make payments within 6 weeks. Although as indicated in the report, your waiting time may be shorter than this.

## Recovering Funds

It's worth noting that the RPS also works to recover money from insolvent companies, which helps to cover some of the costs it pays out. Last year, £29 million was recovered, a worthwhile contribution to the support system.

## Conclusion

If you've lost your job due to your employer's insolvency, the Redundancy Payments Service is designed to provide financial support and help you through this difficult time. Understanding your rights and the support available can make a significant difference as you navigate the challenges of job loss. For more detailed information and to start your application, visit the government's RPS website.

See: <https://www.gov.uk/government/news/people-who-lost-jobs-in-business-failures-thrown-vital-lifeline-by-insolvency-service>

## **Upcoming change to the law on sexual harassment in the workplace**

The new Worker Protection (Amendment of Equality Act 2010) Act 2023 will come into force on 26 October 2024.

This Act will bring in a new positive legal obligation on employers for them to take reasonable steps to protect their workers from sexual harassment.

The Equality and Human Rights Commission (EHRC) has powers to take enforcement action where an employer fails to meet its duties under the act. Employment tribunals will also be given powers to be able to increase compensation for sexual harassment by up to 25%.

To help employers understand their obligations and comply with the new requirements, the EHRC have updated their guidance to include information on the new preventative duty.

They have also opened a consultation to make sure that the new section is clear and helpful. This consultation closes on 6 August 2024.

To review the new guidance in entirety including the new section, see: <https://www.equalityhumanrights.com/equality/equality-act-2010/sexual-harassment-and-harassment-work-technical-guidance-0>

To participate in the consultation, see: <https://www.smartsurvey.co.uk/s/QCKP8E/>

## **Unlocking Fresh Business Talent: Empowering Scottish Entrepreneurs**

The Scottish Government is investing up to £2.6 million to support women and people from diverse backgrounds in starting businesses.

This includes a pilot programme with two parts that will be initially launched in the South of Scotland. The first part is to provide funding for specialist enterprise coaches who can provide tailored advice and guidance to help people.

The second part of the pilot programme is to make grants up to £1,000 available to help turn business ideas into reality.

Delivered by South of Scotland Enterprise (SOSE), the pilot will run alongside the new Pathways Fund, which offers mentoring and advice services across Scotland.

Speaking about the investment, Deputy First Minister Kate Forbes emphasised the importance of entrepreneurship for economic growth and highlighted the government's role in providing comprehensive support to budding entrepreneurs.

For more information on the Pathways Fund, see:

<https://www.gov.scot/publications/pathways-fund-form-and-guidance/>