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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!

Base rate drops to 4.75%

As had been widely expected, the Bank of England reduced the interest base rate to 4.75% last week. This was due to inflationary pressures easing in recent weeks.

The Bank expects inflation to increase slightly again over the next year to around 2.75% and then fall back to the 2% target after that.

In their quarterly report, the Bank outlined that they will be taking a cautious approach and so will not be cutting rates too quickly or too much. It seems unlikely there will be a further cut when the Bank next meet on December 19th.

However, the Bank have said that “if things evolve as expected, it’s likely that interest rates will continue to fall gradually.”

Obviously, a rate cut can be a mixed blessing depending on whether your business is investing or borrowing. However, if inflation is stabilising this may mean a more stable economy and more certainty for businesses in the year ahead.

See: https://www.bankofengland.co.uk/monetary-policy-report/2024/november-2024

Agricultural and business property relief: What happened in the Budget?

Changes to inheritance tax were announced in the Budget that have caused consternation to farmers and business owners across the UK. What exactly is changing and what could this mean for you?

What are agricultural and business property relief?

Agricultural property relief (APR) is a type of inheritance tax relief that helps reduce the amount of tax that is paid when farmland is being passed down to the next generation. Currently, the relief has no financial limit, meaning regardless of the value of the farmland, it could be passed on with no inheritance tax payable.

Business property relief (BPR) is similar but relates to business assets included in a person’s estate. Again, this relief currently applies without any financial limit to the relief.

Clearly, both reliefs have played an important role in families being able to pass on agricultural and business assets without having to worry about inheritance tax.

What changed in the budget?

Based on the Autumn Budget announcement, there will be a new £1 million limit where 100% relief will be given. The relief will then reduce to 50% on the value that exceeds £1 million.

It is important to note that the £1 million allowance is a combined one for APR and BPR purposes. An estate that has both qualifying business and agricultural assets will only have a single £1 million allowance to use.

In addition, (quoted) shares that are designated as "not listed" on the markets of recognised stock exchanges, such as AIM, will only ever get 50% relief regardless of whether they would otherwise qualify as agricultural or business assets.

When will the change take effect?

The intention is that this change will take effect from 6 April 2026. So, these changes do not take immediate effect and mean that there could be some scope for planning or transferring of assets that will minimise your exposure to inheritance tax when the new limits come into force.

If I have agricultural assets valued at more than £1 million, will I have to pay inheritance tax?

Not necessarily. Inheritance tax is calculated by first deducting any reliefs (such as APR and BPR) and then deducting any allowances that apply. Each individual has a nil rate allowance, currently £325,000, and there is a residence nil-rate band limit of £175,000.

What should I do now?

If your estate is likely to be subject to inheritance tax, then it can pay to consider using some estate planning strategies to reduce your exposure to inheritance tax. As a starting place, it is a good idea to assess the current value and makeup of your estate.

Please get in touch with us if you would like any help with doing this, or if you would like to discuss whether there are any estate planning strategies that are open to you. We would be happy to help you!

Self-assessment tax returns: Counting down to 31 January

HM Revenue and Customs (HMRC) have begun reminding taxpayers that time is ticking for getting self-assessment tax returns filed in time for the 31 January 2025 deadline.

More than 3.5 million tax returns have already been submitted, however HMRC are anticipating more than 12 million in total needing to be filed by the end of January. So, HMRC are encouraging people to submit their return as early as possible.

Filing earlier does have some advantages, such as avoiding a last-minute panic, and knowing how much any tax payment will be in time to be able to budget for it.

If you need to complete a self-assessment tax return this year but haven't completed one before, then you will need to register first before you can sent your tax return. The registration process can take a few days so it is best to start this in good time before the end of January.

If you would like any help with completing your tax return, please feel free to contact us at any time and we would be happy to help you.

See: https://www.gov.uk/government/news/on-your-marks-100-days-to-file-self-assessment

UK export opportunities in the Caribbean

Marking the second event of its kind, the UK-Caribbean Trade and Investment Summit was held in London last week. Organised by UK Export Finance (UKEF), the UK's export credit agency, the summit brought together UK and Caribbean government officials, as well as senior investors, to discuss business partnerships and financing for projects across the Caribbean.

In the year leading up to April 2024, UK exports to the Caribbean countries involved in CARIFORUM reached £2.7 billion, a substantial 36% increase compared to the previous year.

The forum highlighted the huge potential represented by trade and investment between the UK and rapidly growing Caribbean economies. UKEF is helping UK businesses access billions of pounds in financial support to win and deliver projects in the region. With expanded financing now available in countries like Jamaica, Guyana, Trinidad & Tobago, and more recently Grenada, St Lucia, and St Kitts & Nevis, UK firms have significant opportunities to enter or grow in these markets.

Several UK companies are already benefiting from UKEF's support. For instance, Severfield Steel won a £4.5 million contract to supply materials for a hospital project in Georgetown, Guyana. In Jamaica, Lagan Construction completed a $7 million resurfacing project at Norman Manley International Airport and is now set to undertake further work in Bermuda.

See: https://www.gov.uk/government/news/uk-caribbean-trade-and-investment-summit-brings-uk-export-opportunities

New "failure to prevent fraud" offence for large organisations

A new corporate criminal offence of "failure to prevent fraud" is set to take effect from 1 September 2025, following its introduction in the Economic Crime and Corporate Transparency Act.

This law holds large organisations criminally liable if they benefit from fraudulent acts carried out by an employee, agent, subsidiary, or other associated person on their behalf.

A “large organisation” is defined in the legislation as meeting two out of three of the following criteria:

- More than 250 employees
- More than £36 million turnover
- More than £18 million in total assets

These criteria, and the obligations to prevent fraud, apply to the whole organisation, including subsidiaries. This is regardless of where the organisation is headquartered or where its subsidiaries are located.

The aim is to make it harder for businesses and other large organisations to turn a blind eye to fraud within their ranks, encouraging proactive fraud prevention in a similar way to the UK’s “failure to prevent bribery” law introduced in 2010.

The offence means that, if an organisation is prosecuted for fraud committed by someone associated with it, the organisation must show it had reasonable fraud prevention measures in place when the fraud occurred. Examples of fraud could include dishonest sales practices, the hiding of important information from consumers or investors, or dishonest practices in financial markets.

Newly issued guidance, developed with input from agencies including the Serious Fraud Office, Financial Conduct Authority, HMRC, and the Crown Prosecution Service, offers advice for organisations preparing for the change.

Nick Ephgrave of the Serious Fraud Office stressed the urgency for companies to implement robust fraud prevention strategies before the offence becomes enforceable, warning that failure to do so could lead to criminal investigations.

With fraud now accounting for roughly 40% of crime in England and Wales, it is hoped these measures will help protect businesses and the public from the damaging effects of fraud.

To review the guidance, see: https://www.gov.uk/government/publications/offence-of-failure-to-prevent-fraud-introduced-by-eccta

Financial markets approve of Trump winning the presidency

Immediately following the US election results and Donald Trump’s win, the dollar made gains against other currencies. The FTSE 100 index also went up on Wednesday afternoon by 1%.

The positive moves appear to be based on Trump’s plan to cut taxes and raise tariffs, as these will cause inflation to increase and reduce the speed at which interest rates are cut.

US interest rates staying higher for longer will mean that investors get a better rate of return on savings and investments they hold in dollars.

However, there are concerns that the UK economy could be detrimentally affected by Trump’s proposals around trade, and lead to a slow-down in growth.

Financial markets are of course fickle, so by the time you read this article things could have changed again. However, it is useful to maintain a broad awareness of what is happening in the financial markets.

Financial markets influence the price of commodities, currency exchange rates and interest rates. So being aware of trends may help you to manage cash flow for increasing costs, or it may help you to time when you borrow so as to get a lower interest rate.

Consumer spending power and confidence are also affected by the same factors that influence the financial markets. So, trends in the financial markets, particularly when you can identify the reasons for them, can give you an idea of how your customers are thinking. These insights can help you to prepare and adjust as needed.

See: https://www.bbc.co.uk/news/articles/c6246e3w935o

Funding granted to small businesses on rural transport projects

The UK government has awarded £1.2 million in funding to small businesses for projects to boost transport links in rural areas.

Through the Rural Transport Accelerator Fund, eight small businesses have received £150,000 each to develop digital tools and other innovations that will improve connectivity for rural communities. By partnering with local authorities, these projects will support rural jobs, community wellbeing, and local economies, with trials beginning in areas from Norfolk to Scotland.

Among the winning projects are digital solutions to address the specific needs of rural residents. For instance, You.Smart.Thing will trial a demand-responsive tool in Warwickshire to help residents without access to a car find shared or community transport options. Another project by UrbanTide will map patient journeys to NHS hospitals in Fife, helping healthcare providers address gaps in transport for those needing hospital services. Additional projects will focus on predictive tools for rural transport needs and creating safer cycling routes using recycled car tyres.

Future of Roads Minister Lilian Greenwood highlighted the unique transport challenges faced by rural residents, emphasising that these projects will allow easier access to essential services, from grocery shopping to hospital appointments.

See: https://www.gov.uk/government/news/12-million-to-boost-rural-transport-in-the-uk

CMA provisionally approves Vodafone and Three merger

The Competition and Markets Authority (CMA) have provisionally concluded that with certain commitments the proposed merger of Vodafone and Three would not be a competition concern.

Vodafone and Three first proposed merging in June last year, however the CMA have been investigating the proposed deal because of concerns that the merger would lead to higher prices for customers as well as harming mobile virtual network operators.

The CMA have identified remedies including a commitment to upgrading the merged company's network across the UK, including 5G rollout, and short-term customer protections that would solve competition concerns and allow the merger to go ahead.

Currently, O2 and EE are the largest operators in the mobile market. While merging Vodafone and Three would reduce the main operators from four to three, by applying the remedies, it is thought that the merger would result in three more equal networks that could aid competition in the long run.

Responses are due to the CMA this week and then it will make its final decision by December 7th.

See: https://www.bbc.co.uk/news/articles/ckgznpx44q3o

ICO guidance on using AI for recruitment

As use of artificial intelligence (AI) tools to help with employee recruitment increases, the Information Commissioner's Office (ICO) has published guidance on key data protection considerations.

While AI tools can help you improve efficiency in the hiring, there is need for caution. AI tools can unfairly exclude jobseekers from roles or compromise their privacy. ICO recently audited a number of providers and uncovered several areas where improvement is required leading to almost 300 recommendations being made. ICO plans to continue working with these businesses over coming months.

The ICO is also encouraging any organisation that is planning to use an AI tool for recruitment to make sure that their provider is complying with data protection law.

The key questions provided by the ICO are as follows:

1. Have you completed a Data Protection Impact Assessment (DPIA)?
2. What is your lawful basis for processing personal information?
3. Have you documented responsibilities and set clear processing instructions?
4. Have you checked the provider has unmitigated bias?
5. Is the AI tool being used transparently?
6. How will you limit unnecessary processing?

To review the questions in more detail, please see the ICO's guidance at: https://ico.org.uk/about-the-ico/media-centre/news-and-blogs/2024/11/thinking-of-using-ai-to-assist-recruitment-our-key-data-protection-considerations/

Stress awareness week reminders from HSE

Last week was Stress Awareness Week 2024. The Health and Safety Executive (HSE) used the occasion to remind employers of their need to carry out their legal duty to prevent work-related stress and support good mental health at work.

According to HSE figures, 17.1 million working days were lost to work-related stress in 2022/23. An average employee suffering from work-related stress, depression or anxiety takes an average of 19.6 days off work a year, almost the equivalent of a working month.

Clearly, it is in an employer's interest to do what it can to reduce and minimise stress in the workplace.

Employers have a legal duty to:

- Carry out risk assessments for stress and then act on them.
- Take steps to prevent work-related stress.
- Write down the risk assessment if there are five or more employees. (It is still recommended to write it down if you have less employees.)

The HSE provides free online learning, a risk assessment template and a 'talking toolkit' that can help structure your conversations with staff.

Could the Glasgow Guarantee help you find your next employee?

The Glasgow Guarantee is a recruitment incentive programme that can help you to source a new member of staff or a modern apprentice.

If your company is operating within the Glasgow City Council boundary and employs less than 250 employees, you may be eligible.

There are a number of conditions that apply to the opportunity and how the candidate is employed and paid. However, a maximum of £8,000 could be available, depending on the number of contracted hours.

For further information, see: https://www.glasgowguarantee.org/Home/Business/