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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!

Should you be paying tax on your side hustle?

Conventional approaches to work and earning an income are changing and with the cost of living ever rising, many now use various ways to make some extra cash outside of their main job. If that's true of you then you may wonder whether you need to pay tax on those earnings.

HM Revenue & Customs (HMRC) have launched a new campaign aimed at demystifying whether you need to tell them about your side hustle earnings so you can avoid any nasty surprises.

The guidance looks at five different types of hustle. Here we briefly review them and what you need to know.

1. I'm buying or making things to sell

If you sell things you make (including digital creative products), upcycle furniture to sell, or buy items to resell at a higher price, then HMRC would consider you to be trading.

2. I've got a side gig

Side gigs vary but might include providing car repairs, making deliveries, dog walking, gardening or tutoring.

Although this work may be done in your spare time, if it's regular and carries on for a few months, HMRC would consider it to be trading.

3. I work for myself doing multiple jobs

If you're earning a living from doing several different jobs then you could be trading and need to register as a sole trader.

4. I'm a content creator or influencer

What may have started as a hobby could have become an earner for you. For instance, if you get paid to do sponsored social posts for a brand, or you get ad income from your online videos or blog, then HMRC will consider you to be trading.

How much can you earn from trading before you need to tell HMRC?

If you earn £1,000 or less in a tax year then you won't pay any tax on it. However, if you earn more than £1,000 you need to tell HMRC and may need to pay tax.

Note that this £1,000 limit is a single allowance that applies to your combined trading income. You don't unfortunately get an allowance for each type of income.

Some may suggest that if you sell less than 30 items a year you do not need to pay tax, however this is incorrect. Online platforms have to share some information with HMRC if you sell more than 30 items in a year, but that doesn't mean you necessarily need to pay tax. You may also be due to pay tax if you sell less than 30 items. The key question is whether you have earned more than £1,000.

However, if you casually sell some unwanted belongings from time to time, then it's unlikely you will need to pay any tax on this.

There is one other type of side hustle income that you might need to tell HMRC about, but this has some different rules to consider.

5. I rent out my property

It could be that you run a holiday let, rent a spare room, or rent out a property through an app.

For renting out spare rooms, then that may be covered by the £7,500 rent a room scheme allowance.

If it's a property that you don't live in that you rent out, then you also have a property allowance of £1,000. If the income you receive is more than that then you may need to pay tax on it.

It's worth noting that you can use the £1,000 trading allowance as well as the rent a room scheme and property allowance.

If you need help working out whether you need to pay tax on your side hustle, please give us a call. We would be happy to help you!

For more information on HMRC's tax help for hustles, see:

<https://taxhelpforhustles.campaign.gov.uk>

Extra flexibility for apprenticeships

The Department for Education have released details of additional flexibility coming to apprenticeships.

When adult learners over the age of 19 start their apprenticeship course, businesses will now be able to decide whether they need to complete a level 2 English and Maths qualification (equivalent to a GCSE) in order to pass the course.

The Department for Education stressed that apprentices will still be assessed on the core English and Maths skills that are relevant to the work they do. However, they will be able to focus more on their paid work.

The minimum duration of an apprenticeship is also being reduced from the current 12 month minimum to 8 months. This change will come into effect from August 2025.

However, the changes to English and Maths requirements have taken immediate effect.

It is estimated that these changes could lead to up to 10,000 more apprentices a year being able to complete their apprenticeship, as well as helping learners qualify more quickly in high-demand sectors such as healthcare, social care and construction.

See: <https://www.gov.uk/government/news/10000-more-apprentices-as-government-slashes-red-tape-to-boost-growth>

Reforms to homebuying coming

The government announced major plans last week to modernise the house buying and selling process. The reforms centre on digitalising and making property and identity data available electronically. This will allow mortgage companies and surveyors to have information within easy reach.

It is thought that these changes will help to avoid surprises being encountered late in the process, with the waste of time and money that goes with that.

In Norway, property transactions complete in around one month and the reforms take account of learning about how this has been achieved.

HM Land Registry (HMLR) is involved in the changes and the next step is a 12-week project to identify the design and implementation of agreed rules so that the data can be easily shared. HMLR will also be working with councils over coming months on how to open up more of their data and make it digital.

For estate agents and surveyors these reforms could make a big difference to the amount of time and money lost in sales falling through.

See: <https://www.gov.uk/government/news/home-buying-and-selling-to-become-quicker-and-cheaper>

AI: The good and the bad

Artificial intelligence (AI) continues to make headlines as businesses work out how to make effective use of it.

The government is continuing to push for growth in the AI industry. Last week, it [opened bidding](#) so that local authorities can submit proposals to become the next AI Growth Zone. It expects thousands of jobs to be created as a result and that it could rejuvenate local communities in various parts of the UK.

Last week saw the [Artificial Intelligence Action Summit](#) take place in Paris. Representatives from 80 countries that include world leaders, tech bosses and academics discussed the current progress of AI and future goals.

The emergence of DeepSeek, the Chinese AI service, has caused a lot of discussion in the AI world. Partly due to fears over security concern – Australia has [banned it on government devices](#) as a result. And partly because it appears to have been developed on a much lower budget than has been the case with other AI services.

On the other hand, the BBC published a report on their own research saying that AI chatbots are [unable to accurately summarise news](#). In their study of ChatGPT, Copilot, Gemini and Perplexity, they found that 51% of all AI answers to their questions about the news were deemed to have significant issues of some sort. 19% of AI answers that cited BBC content contained factual errors such as incorrect statements, numbers and dates.

The BBC also found that the chatbots “struggled to differentiate between opinion and fact, editorialised, and often failed to include essential context.” Their report raises concerns about whether an AI generated headline or news summary might lead to harm.

The international law firm, Hill Dickinson, has decided to reign in the use of AI by its staff and has [blocked general access](#). It found that there has been a significant increase in AI usage by its staff and that much of the usage was not in line with its AI policy. Access is now dealt with under a request process.

Commenting on this, the Information Commissioner’s Office felt that there is a danger in firms outlawing the use of AI but staff continuing to use it under the radar.

As the use of AI continues, it seems likely that we will continue to see a mixture of stories as businesses across the world work out how to safely and effectively use AI.

In the meantime, it seems clear that AI tools should not be used on a ‘set and forget’ basis. Use of AI and the reasons for it given by staff need to be understood. And the output of AI needs to be challenged, such as by being carefully reviewed by someone who understands the subject under review.

Data protection fees to increase by 29.8%

Following a consultation in 2024, the fees payable by data controllers to the Information Commissioner’s Office (ICO) will be increased by 29.8%.

The new fees will be as follows:

Tier	Current fee	New fee
1	£40	£52
2	£60	£78
3	£2,900	£3,763

There is a £5 discount for direct debit payments and any organisations that are currently exempt from paying the fee will continue to be exempt.

See: <https://www.gov.uk/government/consultations/data-protection-fee-regime-proposed-changes/outcome/data-protection-fee-regime-government-response>

HMRC late payment interest rates to be cut

Following the reduction in the Bank of England base rate, HM Revenue & Customs (HMRC) have confirmed that their interest rates will be reduced accordingly.

Late payment interest will reduce to 7% from 7.25%. Repayment interest – paid on tax repayments – will be reduced to 3.5%.

The change will come into effect from:

- 17 February 2025 for quarterly instalment payments.
- 25 February 2025 for non-quarterly instalments payments.

See: <https://www.gov.uk/government/news/hmrc-late-payment-interest-rates-to-be-revised-after-bank-of-england-lowers-base-rate--2>

Crackdown on illegal working in the UK: Key highlights & takeaways

The UK government has intensified its crackdown on illegal working, with January 2025 seeing record enforcement activity. Home Secretary Yvette Cooper announced these efforts as the Border Security, Asylum, and Immigration Bill returned to Parliament last week.

Key highlights

Here are some key highlights of the recent activity:

- 828 premises were raided in January (+48% on the previous January), which led to a total of 609 arrests (+73%).
- Visits show that restaurants, nail bars, and car washes are seen as high-risk sectors.
- Since 5 July 2024, illegal working visits and arrests have increased by 38% compared with the previous year, with 1,090 civil penalty notices being issued by the Home Office in that time.

What are the takeaways for businesses?

Ensuring your employees have the legal right to work is more critical than ever. Employers can use the Home Office's guidance on [checking a job applicant's right to work](#). A proactive approach to vetting staff can save significant headaches down the line.

Now is a good time to review your recruitment processes and make sure you are complying with immigration laws. It's particularly important to be wary of informal

hiring or failing to conduct due diligence, since it's clear that the authorities are ramping up enforcement.

Ethical employment practices are not just a legal necessity but also a business advantage. Businesses that treat their workers fairly and operate within the law enhance their reputation and contribute to a fairer marketplace. In contrast, those who cut corners risk financial penalties and long-term reputational damage.

In view of the increased enforcement activity, being compliant with the immigration laws will help to protect your business and its reputation.

See: <https://www.gov.uk/government/news/uk-wide-blitz-on-illegal-working-to-strengthen-border-security>

Director fined for using unlicensed security operatives

The Security Industry Authority (SIA) has reported that a director for a Manchester-based security company has been fined for failing to comply with an investigation into the use of unlicensed security operatives.

The law requires security operatives working under contract to hold and display a valid SIA licence. Merseyside Police reported to the SIA that unlicensed security operatives had been used at a venue in Liverpool.

The SIA sent two requests for information before inviting the director to attend an interview under caution. The director failed to respond or attend and so the SIA initiated prosecution proceedings.

Manchester Magistrates Court sentenced the director and ordered them to pay a total of £3,540 in fines and costs.

See: <https://www.gov.uk/government/news/security-boss-convicted-of-obstructing-regulators-investigation>

AI projects receive funding

The Scottish government's CivTech programme has awarded up to £9 million to 14 companies that are developing AI products to help charities and public sector organisations.

The products include software that helps identify toxic contaminants that put firefighters at risk of cancer, an AI system to help teachers with administrative work, using drones and an automated mapping system to monitor puffin populations, and a support system to help entrepreneurs grow their businesses.

This is not the first funding to be granted by CivTech. Previous funding rounds have invested £20 million into 90 companies and entrepreneurs since 2016. Reportedly, nearly 80% of the products developed in previous funding rounds are still in use.

Robert Lochhead, Business Minister, said: “The rapidly growing AI sector offers opportunities across Scotland, from helping to detect health issues such as lung cancer earlier, to enabling businesses to work more efficiently.”

See: <https://www.gov.scot/news/improving-lives-through-ai/>