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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!

Interest Rate Cut to 4%: 4 Things to Think About

The Monetary Policy Committee (MPC) of the Bank of England have reduced the Bank Rate to 4% (previously 4.25%).

The decision was made by a narrow 5-4 majority and required 2 votes. This perhaps highlights the uncertainty that continues in the economy.

<u>What Factors Led to the Reduction?</u>

The MPC's report shows that they are predicting that inflation will peak at 4.0% in September and then fall back towards their 2% target. Because of the progress made in controlling inflation, the MPC felt that a further reduction was appropriate.

While UK GDP shrank by 0.3% in April and 0.1% in May, the MPC felt that this was because some of the stronger growth earlier in the year may have been boosted by businesses rushing to act before new tariffs or tax changes came into effect. As this timing effect washes out, Bank staff are predicting that growth will pick up to 0.3% in the autumn. Recent trade agreements may also provide more certainty to global trade.

However, despite these positive indications, the wider picture remains unclear. When interviewed, the Bank of England Governor, Andrew Bailey, commented that he believes interest rates will continue to reduce, but there is "genuine uncertainty about the course of the direction of rates and the path has become more uncertain."

<u>What Should Your Business Be Thinking About Now?</u>

1. <u>Cheaper borrowing, better investment opportunities:</u> With the cost of borrowing now lower, you may have a fresh opportunity to finance growth at a reduced cost. Even previously marginal projects might now become financially viable.

2. <u>Impact on cash reserves:</u> On the flip side, if you're holding large cash reserves, you're likely to see lower returns on bank deposits. Could some of that capital be better deployed into higher-yield investments or strategic projects?

3. <u>Potential boost in consumer spending:</u> Lower interest rates often lead to increased consumer confidence and spending. If your business is in retail, hospitality or services, this could translate into a short-term lift in demand. Now could be a good time to consider whether a new promotional plan might help you capitalise.

4. Exchange rates: A rate cut can put downward pressure on the pound. If you export goods or services, that may make you more competitive abroad. However, it can also increase the cost of imports, which may mean revisiting where you source goods and materials from.

If you'd like to chat about what the interest rate cut means for your business, please call us anytime. Whether you're planning to grow, manage risk, or adapt to everchanging market conditions, we're here to provide you with clear, practical advice when you need it.

See: https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2025/august-2025

Will Taxes Rise in the Autumn?

As the UK heads into the Budget this autumn, speculation is mounting over whether Chancellor Rachel Reeves will be forced to raise taxes to plug a growing gap in the nation's finances.

According to the National Institute of Economic and Social Research (Niesr), the government is on course to miss its own borrowing targets by £41.2 billion, unless action is taken. Niesr warns that a "moderate but sustained increase in taxes" may be the only realistic route for the government, particularly under the borrowing rules the chancellor has described as "non-negotiable."

A "Trilemma" for Reeves

When Reeves became Chancellor, she set out two strict fiscal rules:

1. Day-to-day government spending must be funded by tax revenues, not borrowing.
2. Public debt must fall as a share of national income within five years.

These rules were intended to reassure investors and signal economic credibility. However, meeting them is becoming increasingly difficult as weaker-than-expected economic growth and the reversal of welfare cuts are expected to deliver less than previously forecast. The ongoing effect of US trade tariff policies on global trade is also a challenge.

Niesr says the chancellor faces a "trilemma" between:

- Fulfilling Labour's spending commitments.
- Sticking to the manifesto promise not to raise taxes on working people.
- Meeting the self-imposed borrowing rules.

The deputy director for macroeconomics at Niesr, Stephen Millard, said that if the chancellor is going to be able to raise £40 billion, "I think one of the big taxes is going to have to be raised."

Where Might Tax Increases Come From?

NIESR has suggested the government could raise revenue by:

- Extending the freeze on income tax thresholds beyond 2028 (a stealth tax that raises more as wages rise).
- Reforming council tax, or even replacing it with a land value tax.
- Changing the scope of VAT.
- Reforming pensions allowances.

A Difficult Autumn Ahead

With all these pressures converging, the upcoming Autumn Budget could be a significant one. However, whether it will include tax rises, stealth tax extensions, or reforms to the tax system, remains to be seen.

As always, we'll be keeping a close eye on the Autumn Budget and any announcements that could affect you or your business. Once the details are confirmed, we'll provide a clear summary highlighting what matters most - whether that's changes to tax rates, allowances, or other measures.

If you have any questions about the effect of tax on your business or personal situation, please give us a call, we'll be happy to help you.

See: https://www.bbc.co.uk/news/articles/cn85vyd1epzo

New Legal Requirement: Directors and PSCs Must Verify Their Identity from November 2025

From 18 November 2025, identity verification will become a legal requirement for all company directors and people with significant control (PSCs). This is part of a wider reform under the Economic Crime and Corporate Transparency Act 2023, and it's set to impact millions of individuals connected to UK companies.

If you're a company director or PSC, this change will affect you, and it's important to understand what's required - and when.

What's Changing?

From 18 November 2025:

- New directors will need to verify their identity when incorporating a company or being appointed to an existing one.
- Existing directors will be required to confirm they've verified their identity when filing their company's next confirmation statement - this forms part of a 12-month transition period.
- Existing PSCs will also need to verify their identity within a specific 12-month period, depending on their role and date of birth.

Why Is This Happening?

The aim is to make the companies register more transparent and trustworthy, and to help tackle fraud and economic crime. With identity verification in place, it will be harder for individuals to hide behind fake names or false company appointments.

What Does It Mean for Your Business?

This is a one-off process for most people, and Companies House says it will be quick and simple - taking just a few minutes in most cases.

The verification process can be completed via your GOV.UK One Login. Or, you can verify through us, as we are an Authorised Corporate Service Provider (ACSP).

Once the new rules come into effect, it will be an offence to act as a director without being verified.

When Do You Need to Act?

- If you're appointed as a new director or PSC from 18 November 2025, you must verify within 14 days of being registered.

- If you're an existing PSC, your deadline depends on your circumstances:
    - If you're also a director, you must confirm that you have verified your identity within 14 days of the company's confirmation statement date.
    - If you're not a director, your 14-day deadline starts on the 1st day of your birth month in 2026 (as shown on the Companies House register).

What If You're Unsure?

Companies House is contacting all companies via their registered email addresses with details and guidance. You'll also be able to log into Companies House after 18 November to check identity verification due dates for all roles you hold.

If you have any questions or need help, please just get in touch with us. We'll be happy to help guide you or your company through the new requirements.

See: https://www.gov.uk/government/news/companies-house-confirms-identity-verification-rollout-from-18-november-2025

Government Unveils Small Business Plan

The government has launched its Small Business Plan which it believes will help small businesses to grow and encourage entrepreneurs to start businesses.

The plan recognises that small businesses make a vital contribution to the economy, employing 60% of the UK's workforce and generating £2.8 trillion in turnover.

Here is a breakdown of some of the key measures and how they may impact your business.

Could This Be the End of Late Payments?

Likely not, however the government is promising the toughest late payment legislation in the G7.

They plan to introduce:

- A legal requirement for large businesses to pay within 60 days, moving to 45 days over time.
- Mandatory interest charges on late payments.
- Greater powers for the Small Business Commissioner, including the ability to fine persistent offenders and carry out spot checks.
- Audit committees to be legally obliged to scrutinise payment practices.

These reforms could ease cashflow pressures for you and reduce the amount of time spent chasing invoice payment.

Better Access to Finance

The plan includes several measures that could increase access to finance, including:

- 69,000 Start-Up Loans, paired with business mentoring.
- A £3 billion boost to the British Business Bank to help more lenders offer loans.
- £340 million in regional equity investment to help entrepreneurs across the UK.
- A new Code of Conduct on personal guarantees for government-backed loans.

These changes could mean that there will be more routes to affordable finance.

Cutting Red Tape

The plan promises to make a 25% cut in regulatory admin costs, and to make reforms to the tax and customs system to make things simpler and quicker.

Any time saved on compliance and admin means more time for growing your business.

Other Measures

Other measures included in the plan include targeted support for high street businesses, education and training for the next generation of entrepreneurs, and helping businesses to take advantage of additional opportunities at home and abroad.

To review the Small Business Plan in full, see: https://www.gov.uk/government/publications/backing-your-business-our-plan-for-small-and-medium-sized-businesses

Minimum Wage Hourly Rates: Potential Increases in 2026

The Government has published the official remit for the Low Pay Commission (LPC) to begin its work on setting the National Minimum Wage (NMW) and National Living Wage (NLW) rates that will apply from April 2026.

While the final figures won't be confirmed until later in 2025, the direction of travel is already clear. Employers should be prepared for further increases in wage costs in April 2026.

National Living Wage likely to rise again

The Government has reiterated its commitment to ensuring the National Living Wage doesn't fall below two-thirds of UK median earnings - a benchmark that defines the level of low hourly pay. Based on current forecasts, that means we could be looking at a NLW rate of £12.71 from April 2026, a 4.1% increase.

To put that into context, the current NLW rate for workers aged 21 and over is £12.21, up 6.7% from the previous year.

Narrowing the gap for younger workers

As part of its remit this year, the LPC will be consulting on narrowing the gap between the full NLW rate and the rate that applies to workers aged between 18 and 20 years old. The LPC will be putting forward recommendations on how to achieve a single adult rate in the years ahead.

What should employers do now?

Although the final rates won't be known until October, these latest estimates are a strong indication of where things are headed. Here are a few things to consider:

- Factor these increases in when reviewing your payroll budgets for 2026.
- Consider the knock-on effect. If the NLW rises, pay for other roles may need to be adjusted to maintain structure and morale.
- Remember employer NICs and pensions. Increases in wages can also affect National Insurance contributions and pension auto-enrolment costs.

Final thoughts

The Government is clear in its aim to raise living standards through wage growth - and the LPC's remit is designed to support that. For employers, this means keeping a close eye on wage forecasts and planning ahead for higher employment costs.

We'll keep you updated as more information becomes available. In the meantime, if you'd like help reviewing your payroll plans or budgeting for potential increases, we're happy to help.

See: https://www.gov.uk/government/news/national-living-wage-estimate-update

SDLT Repayment Scams: Court Ruling Confirms Properties Needing Repair Still Count as Residential

If you've bought a property that needed work doing before you could move in, you may have seen ads claiming you could reclaim some of the Stamp Duty Land Tax (SDLT) you paid if the property was in a poor state of repair.

These offers often sound appealing especially when made on a "no win, no fee" basis. However, a recent Court of Appeal decision has confirmed that homes needing repair still attract residential rates of SDLT.

As a result of the court decision, HM Revenue and Customs is warning homebuyers about rogue tax agents offering to claim SDLT refunds on the basis that a property was "uninhabitable" or "non-residential" at the time of purchase. But in most cases, renovations such as needing a new boiler, rewiring, or even having damp problems does not mean the property counts as non-residential.

<u>What does this mean in practice?</u>

The question to consider is whether the defects to the property have resulted in the building no longer having the characteristics of a dwelling.

That means:

- Claims based purely on a property needing repair are unlikely to succeed.
- If the property has previously been used as a dwelling, this will be an important factor.
- A property doesn't need to be ready for immediate occupation to be "suitable for use as a dwelling" for SDLT purposes.

<u>What can go wrong?</u>

If a claim is made for repayment for SDLT paid and HMRC later decide that the claim is invalid, it can get expensive.

Interest and penalties will be added to the SDLT due but also, unscrupulous agents may not return the fee that was deducted from the refund.

Now that the Court's decision has been confirmed, HMRC are actively cracking down on spurious claims and are using both civil and criminal powers to target agents making misleading submissions.

<u>What should you do?</u>

- Be sceptical of unsolicited offers promising SDLT refunds based on property condition

- Don't be rushed into letting a third party file a claim for you - especially if they charge high fees

- Understand the risk - you, not the agent, are liable if HMRC later challenges the claim

This case serves as a firm reminder that if it looks too good to be true, it probably is. While repairs and renovations are part and parcel of buying older properties, they don't change the fundamental tax treatment of the home.

If you're ever unsure about SDLT rules, or whether a refund might apply, please don't hesitate to give us a call. We would be happy to help you.

See: https://www.gov.uk/government/news/homebuyers-warning-as-hmrc-gets-tough-on-bogus-stamp-duty-claims

Lessons From a Director Ban: Getting Help Before It's Too Late

If your business ever runs into financial difficulties, how you handle the situation can have serious and lasting consequences. That's the message behind a recent case involving a Staffordshire director who's just been banned from running a company until 2031.

Kulbarg Singh, director of Aldridge Construction Engineering Ltd, has been disqualified for six years after selling off over £1.5 million worth of company assets to another company he also controlled - for under £500,000.

In one part of the sale, Singh transferred seven historic vehicles - including two Jaguars and three Rolls Royces - for just £1. The cars alone were worth more than £100,000. In total, the company was left more than £1 million worse off from the under-priced sales.

The company went into liquidation the following year, owing over £1.5 million to HM Revenue and Customs and other creditors. The Insolvency Service described Singh's actions as deliberately putting the company's assets out of reach of those creditors - and they're now looking at ways to recover what they can.

<u>What to do if your company is struggling</u>

The case serves as a strong reminder that there's a need to take care if your company is in difficulty.

If your business starts to show signs of insolvency (such as struggling to pay debts, or liabilities outweighing assets), it's crucial to get advice early. The sooner you act, the more options you're likely to have.

While the temptation may be to protect shareholders, it's important to remember that if the company becomes insolvent, your responsibilities as director will apply towards those the company owes money to, instead of the company.

If you're concerned about your company's financial position or unsure about how to handle a specific situation, don't leave it too late. A quick chat with us can save a world of stress later on - and help keep your business (and your reputation) intact.

See: https://www.gov.uk/government/news/six-year-directorship-ban-for-construction-boss-who-sold-100000-of-classic-cars-for-just-1

Scotland's Economy Shrinks in May – What Does It Mean for Your Business?

Scotland's economy hit a bit of a bump in May, with new figures showing that onshore GDP shrank by 0.2%. This comes after a small uptick of 0.1% in April (which was revised from an earlier estimate of a fall). When we look at the bigger picture - over the three months leading up to May - the economy contracted by 0.4%, a clear slowdown from the 0.4% growth we saw in the first quarter of the year.

One of the main reasons for the drop in May was a sharp decline in manufacturing. That sector alone knocked 0.4 percentage points off the overall figure. A big part of that was due to the cessation of oil refining activity at Grangemouth.

It wasn't all bad news though. Some parts of the economy still managed to grow. The biggest positive contribution came from the Professional, Scientific and Technical services sector, which added 0.2 percentage points to the GDP figure.

<u>What Should You Take Away from This?</u>

While these figures show a slowdown, it's important to keep perspective. Short-term economic data can fluctuate, and many businesses will still be seeing steady demand. However, it may be a good time to review your budgets for the rest of the year.

As always, if you'd like to talk through what this means for your business or look at forecasting options, just get in touch.

See: https://www.gov.scot/news/monthly-gdp-estimates-for-may-4/