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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!

Budget Speculation: Are Tax Rises Looming?

The Chancellor, Rachel Reeves, gave a surprise ‘pre-Budget’ speech last week that appeared to pave the way for tax rises in the Budget on 26 November 2025.

<u>What did she say?</u>

The Chancellor’s scene setting speech outlined her priorities to cut NHS waiting lists, reduce the national debt, and improve the cost of living.

Quoting world challenges such as the continuing threat of tariffs, persistent inflation, the increasing cost of government borrowing, and pressures on public finances, the Chancellor acknowledged that productivity in the economy is weaker than previously thought.

This all means increasing pressure on revenue for the government.

The Chancellor indicated that her Budget would support businesses in creating jobs, innovating and protecting families from high inflation and interest rates. She further said: “If we are to build the future of Britain together, we will all have to contribute to that effort. Each of us must do our bit …”

This is the clearest indication yet that tax rises are coming for everyone. So, what could this mean for you in the Budget? Let’s explore some of the possibilities.

<u>Changes already due to take effect in 2026 and 2027</u>

There are still some measures announced in Autumn Budget 2024 that have not taken effect yet. These are:

- Capital Gains Tax (CGT): The rate of CGT where Business Asset Disposal Relief (BADR) applies will increase from 14% to 18% from 6 April 2026.

- Inheritance Tax (IHT): Restrictions on 100% relief for business and agricultural property will take effect from 6 April 2026. Unused pension funds and death benefits will be brought into IHT estates from 6 April 2027.

In addition, the new Making Tax Digital for Income Tax (MTD for IT) becomes mandatory for self-employed individuals and landlords with turnover over £50,000 from 6 April 2026. While not a tax increase, there is an increase in compliance costs to those affected.

Predictions for Autumn Budget 2025

Manifesto promises included not increasing National Insurance, income tax or VAT rates. The October 2024 Corporate Tax Roadmap commits to keeping the small profits rate and marginal relief and not increasing the 25% main rate of corporation tax. Enhanced research and development tax reliefs and the £1 million annual investment allowance for plant and machinery capital allowances are also to be kept.

However, the Chancellor's speech now casts a doubt on these commitments. Here are a few of the possibilities we could see.

- Freeze on income tax thresholds extended: Income tax thresholds and the tax-free allowance are currently frozen until 6 April 2028. This could now be extended to 5 April 2030, bringing more people into tax.

- Increase to income tax rates: A one or two percentage point increase could be made to income tax rates. To generate sufficient tax revenues, it seems likely that the basic rate of income tax would need to be increased, not just higher rates.

- National Insurance and partnerships: A current hot topic is the suggestion that the government sees partnerships as receiving a tax break because partnership profits are distributed without having to pay 15% employers' NI. This might result in the introduction of an additional partnership NI contribution for partners. Current speculation suggests this might be limited to LLPs rather than all types of partnership.

- Flat rate relief for pension contributions: Pension savings are currently given tax relief based on the saver's marginal income tax rate. This could be changed so that all savers receive the same flat rate of income tax relief. This would collect more tax from higher earners.

- Reduce pension income tax-free lump sum: Individuals can often take a tax-free lump sum from their pension when they reach retirement age. Reducing the amount that can be taken tax-free could be one of the options being considered by the Chancellor.

- Cut Cash ISA saving limits: It was reported earlier in the year that the Chancellor was interested in restricting the amount that can be saved into a cash ISA. Nothing has happened on this so far, however, this could form part of the Budget announcement.

- Increase the BADR rate further: The CGT Business Asset Disposal Rate is already due to increase to 18% from 6 April 2026. This could be increased further. Another CGT possibility is that the CGT rates could be aligned with income tax rates. This might mean the current 18% rate being increased to 20% and the current 24% rate being increased to as much as 40% or 45%.

- Cap Principal Residence Relief (PRR): When an individual sells their home they pay no tax, no matter how much they receive, as PRR is unlimited. However, another possible measure could see PRR being capped.

- Further restrictions to IHT reliefs: Possible measures could include changes to the Potentially Exempt Transfer (PET) regime, reducing or removing taper relief on gifts given three to seven years before the donor’s death, and introducing annual or lifetime limits on exempt giving.

- VAT: There could be a mixture of good and bad news for VAT. One possibility could be a cut to the 5% VAT rate on household energy. However, privately funded healthcare might perhaps be subject to 20% VAT, like private education.

What should you take away?

Of course, predictions and possibilities of what might happen are speculative. However, the Chancellor’s determination to stick to her fiscal rules that keep the financial markets happy, coupled with the need to generate additional revenue, strongly suggest that there will be some wide-ranging changes in the Budget.

We will keep you updated on the Budget and any changes it brings. If you would like to discuss your personal situation and whether there are any actions you could take before the Budget, please get in touch. We would be happy to help you!

See: https://www.gov.uk/government/speeches/chancellors-scene-setter-speech-ahead-of-budget-2025

Reminder: Companies House Identity Verification Becomes Mandatory from 18 November 2025

From 18 November 2025, identity verification with Companies House will start to be required for company directors and People with Significant Control (PSCs). The measure is intended to improve the reliability of information on the UK’s company register and support efforts to reduce economic crime.

The identity verification process was introduced on a voluntary basis in April 2025. According to Companies House, more than one million individuals have completed verification since then.

Companies House Chief Executive, Andy King, described the milestone as significant, saying: “Identity verification will help make sure that the people setting up and running companies are who they say they are. This will make our data more reliable and less open to misuse, supporting a more transparent and trusted business environment.”

When to verify

The specific date by which each director or PSC needs to verify their identity varies. Companies House says it will contact each company directly with this information. Broadly, the requirements are as follows:

- Directors
    - Existing directors of companies will need to verify their identity as part of their company's next confirmation statement from 18 November 2025. This will need to be done for each company if you are a director of more than one entity.
    - If you are registering a new company that you will be a director of, you will need to verify your identity as part of the registration process.
- PSCs
    - If you are a PSC, as well as a director of the same company, you need to verify your identity for your PSC role as well as your director role. Verifying for your PSC role will need to be done within 14 days of the company's confirmation statement date.
    - If you are a PSC but not a director of the same company, then you will be required to verify within the first 14 days of your birth month. For example, if your date of birth is 20 December, your 14-day period begins on 1 December.
    - If you become a PSC after 18 November 2025, you need to verify within 14 days of being added to the Companies House register.

How to verify

Verification can be carried out in one of two ways: directly through Companies House using GOV.UK One Login, or via an Authorised Corporate Service Provider (ACSP) such as our firm.

Verified individuals will receive a personal code through the service. They will then need to provide this personal code and a verification statement for each company role they hold.

Other roles

Companies House plan to introduce identity verification for other roles in the future. This will include limited partnerships and corporate directors.

If you need any help verifying your identity or that of others for your company, please give us a call. We would be happy to help you!

See: https://www.gov.uk/government/news/one-million-people-verify-identity-early-ahead-of-companies-house-changes

HMRC App Usage on the Increase

HM Revenue and Customs (HMRC) has reported that over 5.6 million people have accessed its app since the start of the current tax year (6 April 2025).

The app offers a range of features that can be useful in viewing and managing your tax and national insurance records.

What are people using the app for?

According to HMRC, the most accessed services include:

- Checking PAYE information, including pay before it reaches the bank - used by 4.14 million people.

- Viewing annual tax summaries - 1.94 million people.

- Accessing national insurance details, including contribution history and saving NI numbers - 1.79 million people.

- Checking State Pension forecasts - 1.49 million people.

- Viewing Self Assessment summaries and making payments - 1.19 million people.

If you're using the app and want to make sure what the figures mean, or would like personalised guidance, please give us a call and we would be happy to help you!

See: https://www.gov.uk/government/news/lets-talk-about-tax-with-the-hmrc-app

Free Recruitment Support Available to UK Businesses Through Jobcentre Plus

The Department for Work and Pensions (DWP) has launched a national campaign to offer UK businesses access to no-fee specialist recruitment support through Jobcentre Plus. The service is available to all businesses, regardless of size or sector.

Over the last year, only one in five businesses has used Jobcentre Plus services for support. This may be indicative of a lack of confidence in the service being able to locate suitable candidates.

At the same time, over half of employers in a recent DWP Employer Survey reported difficulties in finding suitable candidates. With the average cost of filling a vacancy estimated by CIPD at £6,125, it could be worth considering trying out the service.

Who Can Benefit?

The campaign is particularly focused on sectors with high vacancy rates, including:

- Manufacturing
- Logistics
- Retail
- Hospitality
- Health and social care
- Construction

However, the service is open to all employers, whether they're recruiting for one role or many.

To find out more and access support, visit the Business.gov.uk website.

Skills England launches tools to help businesses upskill for the AI era

A new report from Skills England has indicated that many employers are struggling to keep pace with AI-related changes. Their 'AI skills for the UK workforce' report introduces three new tools that could help businesses build confidence and capability in using AI responsibly.

Sector-specific challenges

The report identifies sectors that face particular challenges. For instance:

- In Construction, opportunities such as drone surveying and augmented-reality training are emerging, but low digital literacy remains a barrier.

- Within the Creative Industries, freelancers and small firms are adopting AI tools for content creation but often without formal training, raising concerns about quality and originality.

- Advanced Manufacturing is already seeing benefits from automation and predictive maintenance but faces a growing skills gap as its workforce ages.

A consistent theme across all business sectors seems to be uncertainty over what is meant by "AI skills" and what staff need to learn.

Three new tools for employers

The three new tools are as follows:

- The AI Skills Framework - identifies the technical, responsible and non-technical skills needed across different job roles and levels.

- The AI Skills Adoption Pathway Model - shows how businesses typically progress from early awareness to strategic adoption of AI.

- The Employer AI Adoption Checklist - a practical tool to help businesses assess their AI skills readiness, identify workforce gaps and plan training.

These tools are designed to make AI more accessible to employers, particularly smaller businesses that often lack the dedicated HR or training teams of larger organisations.

Dr Ameen said, “AI is reshaping the world of work across sectors, but without the right skills, too many people and businesses risk being left behind.”

To find out more, the full AI Skills for the UK Workforce report and supporting tools are available through Skills England.