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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!

Dividend Tax Rates Rising in April 2026: What Does It Mean for Profit Extraction?

The recent Budget confirmed that dividend tax rates will increase from April 2026. The ordinary and upper rates of dividend tax will both rise by 2%.

For many small and medium-sized companies, dividends are central to how owners pay themselves. With the tax rates rising, your pay and profit extraction strategies will likely need a fresh look for 2026/27.

What’s Actually Changing

From April 2026:

- The dividend ordinary tax rate increases from 8.75% to 10.75%.
- The dividend upper tax rate rises from 33.75% to 35.75%.
- The dividend additional tax rate remains at 39.35%.
- The tax-free dividend allowance remains at £500

The rate you pay on your dividends will depend on the amount of your total income and the source of your income. These rates apply only to dividends - salary, bonuses and savings are taxed differently.

What the Changes Mean for Profit Extraction

As dividends have usually offered a tax advantage over salary, many directors/shareholders adopt a mix of a low salary and higher dividend income.

However, with dividend tax rising, the balance is shifting slightly. The best extraction strategy for one director may look quite different for another, especially when factors like income levels, other earnings, pensions and company profits are taken into account.

It may therefore be worth reviewing:

- Whether a different mix of salary and dividends is now more efficient for you.
- Bringing forward dividends before April 2026, where appropriate.
- The impact on cash flow if you switch to taking a larger salary instead of dividends.

If you want to review how you take money from your company, or see how the upcoming dividend tax changes could affect your take-home pay, get in touch. We can guide you through the options and help you make sure your remuneration is as tax-efficient as possible.

Chancellor Confirms 2% Inflation Target for Next 12 Months

The Chancellor has formally written to the Bank of England's Monetary Policy Committee (MPC) to reconfirm the UK's inflation target at 2% for the next 12 months, as measured by the Consumer Prices Index (CPI).

The letter notes that inflation has fallen significantly from its October 2022 peak of 11.1%, and underlying inflationary pressures continue to ease. The Chancellor also highlighted that measures announced at the recent Budget are expected to further reduce inflation by around 0.4 percentage points in 2026-27.

Overall, while the confirmation of the target for the MPC is largely status quo, it does provide clarity for businesses and financial markets.

Whether the Budget announcements will achieve the desired decrease the Chancellor hopes for remains to be seen. However, the expectation is that inflation will ease and the Bank of England base rate will continue to reduce over the next 12 months, with many considering a rate cut later in December a possibility.

See: https://www.gov.uk/government/publications/monetary-policy-remit-budget-2025

Self Assessment Deadline Approaching - Are You Ready?

The deadline for filing your 2024/25 Self Assessment tax return is fast approaching. You must submit your return and pay any tax due by 31 January 2026 to avoid penalties and interest.

To meet the deadline, you will need to make sure you have:

- All income details, including any employment, pension, self-employment, dividends, rental and savings income you received.
- Records of allowable expenses and reliefs.
- Details of any pension contributions or charitable donations.

Filing early not only helps avoid last minute stress but also gives you time to check your figures and plan for any tax payments you need to make.

If you would like help preparing and submitting your tax return, please get in touch as soon as possible. We can help you ensure that your tax return is accurate, complete and filed on time.

High-Value Council Tax Surcharge: Next Steps

The government has announced plans to introduce a new levy, the High-Value Council Tax Surcharge (HVCTS), for owners of residential properties in England valued at £2 million or more.

The surcharge is expected to come into effect in April 2028. A public consultation on the details will be held in early 2026.

HVCTS currently only affects residential properties in England. Whether the devolved administrations in Scotland, Wales and Northern Ireland will follow suit remains to be seen.

<u>Not Based on Council Tax Bands</u>

In information published following the Budget, the government confirmed that the surcharge will not be calculated based on council tax bands. So, if your property is currently in say bands F, G, or H (which were set based on 1991 values), this does not necessarily mean your property will be subject to a surcharge.

Instead, there will be a fresh valuation process. The Valuation Office Agency (VOA) will carry out a targeted valuation exercise in 2026. Properties assessed at £2 million or more will be slotted into one of four new HVCTS bands.

As far as council tax is concerned, existing council tax bands will remain in place, and a change in council tax band will not affect HVCTS eligibility.

<u>What to Do Next</u>

Especially if you own a property in London or other high-value areas in England, the new surcharge will be a concern.

- The surcharge could add a significant recurring cost from 2028.

- As the surcharge uses up-to-date property valuations (not 1991 values), properties that escaped high “band” classification under the old system could now be subject to it if their current market value is high.

If you have concerns about how the new surcharge will affect your situation, please do get in touch. We would be happy to provide you with personalised advice.

See: https://www.gov.uk/government/news/high-value-council-tax-surcharge

Seafood Industry Urged to Prepare for New EU Traceability Rules

With just a few weeks remaining until new EU import rules on traceability come into force, businesses involved in the seafood industry are being encouraged to prepare now.

The changes come into force on 10 January 2026, and will affect anyone involved in catching, buying, processing and selling fish destined for EU markets. Without the additional information needed for the Fish Export Service (FES), it will not be possible to export fish and seafood products.

What's Changing

From 10 January 2026, if you export seafood products that have been caught by a UK vessel and processed in the UK after landing, the consignment will require both a catch certificate for the landed weight that is being exported and a processing statement referencing that catch certificate.

Additional information will be needed to complete these documents. The government is currently updating the Fish Export Service (FES) to ensure that the IT system can provide the enhanced processing statements, catch certificates and other documentation that the EU will require.

How to prepare

The Fish, Trace, Ship campaign website contains detailed information on the new requirements and guidance on how to be ready for them.

The government is also running a series of webinars to help businesses in the seafood industry prepare for the changes. The next sessions are being held on 10 and 17 December 2025.

To register and attend, see the Fish, Trace, Ship campaign website.

A newsletter is also available for sign up here.

See: https://www.gov.uk/government/news/major-changes-coming-for-the-1bn-scottish-seafood-exporting-industry

Free Food Safety Resources to Help with the Festive Rush

With Christmas approaching, food businesses are looking forward to one of the busiest trading periods of the year.

As part of its 'Safer Food Means Better Business' campaign, the FSA is offering free training, checklists and practical guidance to help small and micro businesses stay on top of food safety and hygiene.

Extra Attention at Christmas

The festive season often brings increased pressure to food businesses. Higher demand, expanded menus and the use of temporary or seasonal staff all raise the risk of mistakes - especially around food handling, allergens and hygiene standards.

Even small slip-ups can lead to problems for your business and unnecessary disruption at a time when margins matter most.

Practical Steps to Take

Practical steps to consider at this time of year could include:

- Training seasonal and temporary staff on the basics of food hygiene and allergen management.

- Reviewing allergen information for Christmas menus, festive specials and buffets to ensure accuracy.

- Checking that temporary setups, such as stalls at Christmas markets or pop-up events, meet all food safety requirements.

To review the FSA's guidance for food businesses, see here.

Employment Rights Bill: Key Updates on Unfair Dismissal and Worker Protections

The government has recently brought together trade unions and business representatives to discuss the Employment Rights Bill. These talks have led to conclusions that will assist the Bill to reach Royal Assent and allow the changes it proposes to take effect as planned.

Here we summarise the decisions made.

- Unfair dismissal qualifying period reduced: The qualifying period for unfair dismissals will be cut from 24 months to six months. Existing day one protection against discrimination and automatically unfair dismissal will be maintained.

- Day one rights: It is planned that from April 2026, employees will gain day one rights to sick pay and paternity leave.

- Fair Work Agency: The government also plans to launch the Fair Work Agency in April 2026. This new body will take on a role in enforcing the rules and providing advice to workers and employers. It will also have strong powers to investigate and take action against businesses that flout the law.

The package of reforms included in the Employment Rights Bill marks a significant shift in employment law. It is well worth keeping up to date with how these changes may affect your business' policies, contracts, and workplace practices from 2026 onwards.

See: https://www.gov.uk/government/news/an-update-on-the-employment-rights-bill

Scotland to Introduce More Flexible Visitor Levy Options for Councils

A new bill is being prepared to give Scottish councils more flexibility in designing and implementing visitor levies, allowing them to raise funds for tourist services and facilities in ways that best suit their local areas.

The Visitor Levy (Scotland) Act 2024 currently allows councils to charge a levy on overnight stays as a percentage of accommodation costs. The upcoming proposals will give councils the option of setting a fixed levy amount instead. Councils will also be able to choose whether to apply different fixed amounts depending on factors such as geographic location, time of year, or type of accommodation.

The legislation will also clarify on how levies are applied when the sale is made via a third-party booking platform, and outline the information that accommodation providers must share with councils.

The bill is expected to be introduced in early 2026, and subject to the parliamentary timetable, it is hoped that it will be passed within the current session.

Public Finance Minister Ivan McKee highlighted the benefits of the proposals, saying: “The visitor levy empowers councils by giving them a new way to raise money for investment in tourist services and facilities. Our aim has been to give councils the flexibility to design a levy that works for their areas, while ensuring businesses can easily understand what it means for them.”

“The Act passed last year was an example of partnership working between the Scottish Government, local government and tourism businesses. Through regular discussions with our partners, it became clear that further flexibility would be welcomed. That is why we have decided to legislate next year, to ensure local visitor levies work effectively for everyone.”

In summary, if the new bill is passed, local authorities will be able to choose to:

- Have a visitor levy based on either a percentage rate model or a fixed amount model.
- Apply the levy on a ‘per person per night’ basis or a ‘per night’ basis, if they decide to use the fixed amount model.

See: https://www.gov.scot/news/amending-the-visitor-levy/