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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!

Scottish Budget 2026: Will It Help Your Cost of Living?

The Scottish government unveiled its latest Budget last week. Finance Secretary Shona Robison described the proposals as a “cost of living Budget” designed to support households.

There was some relief for businesses and lower earners, but higher earners will see increases to the tax they pay.

Here we briefly summarise some of the proposed changes.

Business rates

Decreases to the Basic, Intermediate and Higher Property Rates were announced and will apply from 1 April 2026. These are as follows:

	2026/27	**2025/26**
Basic Property Rate (rateable value up to and including £51,000)	48.1p	49.8p
Intermediate Property Rate (rateable value between £51,001 and £100,000)	53.5p	55.4p
Higher Property Value (rateable value above £100,000)	54.8p	56.8p

Some reliefs also continue to be available. For instance, it was announced that the Small Business Bonus Scheme Relief will continue to be available for the next three years, using the existing rates and thresholds.

A 15% relief will be offered to Retail, Hospitality and Leisure (RHL) businesses liable to the Basic and Intermediate Property Rates in 2026-27. This will continue for the duration of the three-year revaluation cycle and is capped at £110,000 per business per year.

For RHL businesses on Scottish islands (as defined by the Islands (Scotland) Act 2018) and in the remote areas of Cape Wrath, Knoydart and Scoraig, a 100% relief will be available.

A Revaluation Transitional Relief and a Small Business Transitional Relief will be introduced to help businesses affected by the 2026 revaluation or losing eligibility to the Small Business Bonus Scheme Relief.

Income Tax

While the rates of income tax remain unchanged, the Basic and Intermediate rate thresholds are to be increased by 7.4%. However, the Higher, Advanced and Top rate thresholds will be frozen at their 2025/26 levels until 2028/29.

What this means in practice is that lower earners will see a very small increase in their take-home pay. However, because of fiscal drag, higher earners will be increasingly drawn into paying additional tax.

Council Tax

From 1 April 2028, two new bands will be created above the current highest band, as follows:

- Band I will be for properties that are valued between £1 million and £2 million.
- Band J will be for properties that are valued at more than £2 million.

It is worth noting that these bands will be based on up-to-date property valuations, unlike the existing bands, which will continue to be based on the existing Council Tax framework.

The government also intends to put forward new regulations that remove the cap on Council Tax premiums. Council Tax premiums charged on second homes and long-term empty homes will then be at the discretion of local councils beginning 1 April 2026.

Conclusion

The Budget proposals are scheduled to face a final vote on 25 February 2026. However, Labour leader Anas Sarwar has confirmed that his party will not oppose the Budget.

If you would like to know how the Budget proposals will affect you and how you might be able to minimise the tax you pay, we would be happy to provide you with personalised advice.

See: https://www.gov.scot/publications/scottish-budget-2026-2027/

Getting Ready for Making Tax Digital

With just 10 weeks or so to go until the new tax year, many businesses are preparing for the changes that Making Tax Digital (MTD) will bring. From April, sole traders and landlords with an income of over £50,000 will need to submit quarterly updates to HMRC.

It is estimated that around 900,000 individuals will be joining in April. If you are affected, this will be a major change and the earlier you can be prepared, the better.

Using approved software

MTD requires the use of software. Whether you are already a ‘digital native’ with your bookkeeping, or have not yet made the jump, it will be vital to make sure that any accounting software you use is HM Revenue & Customs (HMRC) approved for MTD use.

Use of software for keeping your accounting records can have benefits beyond helping you to comply with MTD. For instance, software can help streamline some of your work, make it easier to forecast your cash flow, help inform you in making financial decisions and help to reduce mistakes.

That means that when you are selecting accounting software, it is worth considering some of the other advantages it could give you and your business.

Registering for MTD

Based on your tax return information, HMRC will get in touch with you to let you know that you need to get ready for Making Tax Digital.

However, HMRC will not sign you up automatically. This is something you will need to do, and it is important that you do this in time.

Are there any exemptions?

There are some automatic exemptions from MTD. For instance, if you are submitting a tax return as a trustee or as a personal representative of a taxpayer who has died, there is no need to sign up for MTD. Generally, HMRC will tell you if you are automatically exempt.

In addition to automatic exemptions, there are situations where an exemption can be applied for. So, it pays to check whether your situation might mean you can apply.

What if your income is less than £50,000?

MTD is being given a phased introduction. MTD will become mandatory for sole traders and landlords as follows:

- 6 April 2026 - those with income above £50,000
- 6 April 2027 - those with income above £30,000
- 6 April 2028 - those with income above £20,000

It is possible to voluntarily sign up sooner if you wish.

Does MTD apply to partnerships?

Not yet, however, HMRC have advised that business partnerships will also need to use MTD in the future. The timeline for when this will happen will be set out at a later date.

Would you like help with MTD?

Choosing software can be a bit of a minefield, so if you would like support, we can offer you a tailored recommendation and any training you need. We can also handle your registration with HMRC.

If you would like ongoing help with bookkeeping, filling in the quarterly returns, or you just want us to handle the end-of-year return, please get in touch. We would be happy to help you!

New to Self Assessment Tax? Here's an Explainer

If you are new to being self-employed or being a landlord, Self Assessment can feel like one of those jobs you know you should understand better, but never quite get around to.

When do you actually pay the tax? Why does January seem to be so expensive? And what on earth is a "payment on account"?

In this article, we'll walk you through how Self Assessment tax payments work in practice, the key dates to watch, and how to avoid nasty surprises by planning ahead.

Understanding Self Assessment payments

Once your tax return is completed and filed, HM Revenue & Customs (HMRC) calculate how much tax you owe on all income you have earned outside of PAYE. Unlike tax taken automatically from a salary, you are responsible for paying the tax yourself. That is why knowing the deadlines is crucial.

For most people, there are two main types of payments to make each year:

1. Payment on account - This is essentially a prepayment for your next year's tax. When your tax bill for a year is over £1,000, HMRC will require you to make two equal payments on 31 January and 31 July. Think of it like a deposit on your tax bill.

2. Balancing payment - This is the top-up for anything left over once your tax return is finalised and submitted. It's due by 31 January following the end of the tax year.

For example, say your tax bill for 2023/24 was £3,000. You will likely have paid £1,500 on 31 January 2025 and another £1,500 on 31 July 2025 as payments on account. Then, if your tax bill for 2024/25 is £3,200, you will pay the £200 balancing payment on 31 January 2026. You will also pay a £1,600 payment on account against the next year's tax bill on the same date, which means you would pay a total of £1,800 on 31 January 2026.

If you are new to Self Assessment, then you probably will not have made any payments on account for the first tax year that you file a tax return for. So, you will need to pay the full balance for the entire tax year on the 31 January following the tax year end.

In other words, if your tax bill for 2024/25 is £3,200, you'll need to pay £3,200 on 31 January 2026. You'll also pay a £1,600 payment on account against the next year's tax bill on the same date, which means you'd pay a total of £4,800.

No wonder January can feel so expensive!

How to pay

Paying is straightforward once you know the methods.

These days most people pay online through their HMRC account by bank transfer or by debit card. You can also use the HMRC app to pay your bill through your bank's app or by using online banking.

You just need the reference numbers to make sure the money goes to the right place.

Avoiding surprises

Late or missing payments can lead to penalties and interest charges, so planning ahead is essential. A good tip is to set up a calendar reminder so that you don't forget to make the payment on time.

Keeping a separate pot of money for tax that you save each month can also prevent you from scrambling at the last minute.

If you need help completing your tax return or want advice on paying tax, please get in touch. We would be happy to help you!

See: https://www.gov.uk/government/news/65-rise-in-self-assessment-payments-via-the-hmrc-app

Choosing an MSP: What Every Business Needs to Know

Most smaller businesses use a Managed Service Provider (MSP) to provide IT and website support. If you are not an IT expert yourself, it can be challenging to know how to select an MSP and to ensure that they will deliver the services you need for your business.

With UK businesses increasingly under attack from cyber criminals and your MSP having access to your systems and data, it's also important to know that your MSP is serious about cybersecurity.

The National Cyber Security Centre (NCSC) has published a handy guide that can help you to ask the right questions and be able to take a proactive approach with your MSP.

What's in the guide?

The following subjects are covered in the guide:

- Choosing an appropriate MSP - The guide includes information on the certifications you should expect to see and what should be contained in a clear contract.

- Security issues to discuss with your MSP - These include ideas for conversations to have with your MSP on patching and updates, backups, access, logs and incident response.

- Details to check in your MSP contract - For instance, you will want to know about your Service Level Agreement (SLA) response and resolution times, and what plans you have for systems that are coming to the end of their life.

The guide concludes with an MSP due diligence checklist that could be a useful resource when discussing your IT systems and website with your current MSP or when you need to find a new one.

To review the guide, see: https://www.ncsc.gov.uk/guidance/choosing-a-managed-service-provider-msp

Backtrack on Digital ID Requirements

It appears that the government has backtracked on plans to require workers to register with its new digital ID programme to prove their right to work in the UK.

While right-to-work checks will still be carried out digitally by 2029, such as by using biometric passports, registering for a digital ID will be optional.

Transport Secretary Heidi Alexander confirmed that mandatory digital right-to-work checks will be brought in to help crack down on illegal working, but that the digital ID will be one way that a worker could use to prove their eligibility to work.

The idea of compulsory digital IDs has proved unpopular with nearly three million people signing a parliamentary petition to oppose their introduction.

Details on how the digital ID will work are not yet available. Many expect it to be based on the Gov.uk One Login and the yet to be launched, Gov.uk Wallet.

In the meantime, it is already possible to use government-certified digital verification services to do passport checks on British and Irish citizens. The Home Office also provide an online service for verifying the status of non-British or Irish citizens where the individual's immigration status is held electronically.

See: https://www.bbc.co.uk/news/articles/c3385zrrx73o

Fairer Prices for Farmers on Sheep Carcases

New rules came into effect last week that mandate classification and price reporting for sheep carcases in England and Scotland. This means that the sector is now brought into line with beef and pork.

The rules should mean that producers will have clearer information on how animals are assessed and priced at slaughter, and make it easier for them to analyse market demand to see what attracts premium prices.

National Sheep Association CEO Phil Stocker described the new regulations as a helpful step that will give sheep farmers more clarity and should "create better transparency and trust through the supply chain."

Wales and Northern Ireland will be issuing equivalent measures in early 2026.

See: https://www.gov.uk/government/news/sheep-carcase-classification-rules-to-deliver-fairer-prices-for-farmers

Construction Firm Fined £60,000 After Worker Falls Through Unprotected Stairwell

A Northwest construction company has been fined £60,000 after an employee was seriously injured falling through an unprotected floor opening.

The incident occurred in April 2024 at a site in Cumbria when a general labourer was sweeping dust and debris on the first floor. Boards had been laid across part of an opening for a staircase, but they did not cover the full gap, and no edge protection or warning signs were in place. While working along the boards, a newly built wall collapsed, knocking him over the unprotected edge.

The employee fell from around 2.5 to 3 metres and spent a month in hospital recovering from multiple fractures and a dislocated shoulder.

An HSE investigation found that the risk had not been addressed, there was no supervision at the time, and the worker had not been given safety instructions.

The company was found guilty of breaching Regulation 6(3) of the Work at Height Regulations 2005 and was fined and ordered to pay costs and a victim surcharge.

HSE Inspector Derek McLauchlan commented: "Any work at height is potentially high-risk and requires proper planning and implementation. This incident could have been avoided had appropriate control measures and training been in place."

This case highlights the importance of ensuring the safety of employees working at height. A guide on what employers need to do to protect their employees from falls from height is available on the HSE website.

See: https://press.hse.gov.uk/2026/01/07/construction-company-fined-60000-after-worker-falls-through-unprotected-floor-opening/