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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!

Personal Tax Changes Coming in April 2026

With just a few weeks to go until the beginning of a new tax year, a new round of tax changes take effect from April 2026. While many people won't see a big difference in their day-to-day tax position, there are some areas worth having on the radar.

Here is a run-through of some of the changes you may want to be aware of.

Dividend Tax Rises

The tax rates for dividends are rising from April 2026. The basic rate and higher rates are each increasing by two percentage points to 10.75% and 35.75%, respectively. The dividend additional rate remains at 39.35%.

Many company owners rely on a combination of salary and dividends for their pay. If that's you, it's important to review how you draw income and whether your current mix of salary and dividends still makes sense.

Thresholds Remain Frozen

The tax-free personal allowance and income tax thresholds all remain frozen and are set to stay that way until 2030/31. That ongoing freeze will continue to pull more people into higher rates of tax.

For Scottish taxpayers, there is an increase to the basic and intermediate rate thresholds. This means that lower earners will see a small increase in their take-home pay. However, because of fiscal drag, higher earners will be increasingly drawn into paying additional tax.

National Insurance and Voluntary Contributions

People with gaps in their national insurance contribution (NIC) record, those who are self-employed with low profits, or those who work overseas often consider making voluntary contributions.

From 6 April 2026, the rate for Class 2 NICs (applicable to the self-employed) will be increased from £3.50 to £3.65. The rate for voluntary Class 3 NICs will increase from £17.75 to £18.40.

Aside from the increase in rates, a major change is that voluntary Class 2 NIC will no longer be an option for periods spent abroad. Making voluntary Class 3 contributions will be possible, but the qualifying criteria have been tightened.

Capital Gains Tax (CGT)

Business owners thinking about selling or restructuring should be aware that capital gains that are subject to business asset disposal relief or investor's relief will be taxed at 18% for 2026/27, an increase from 14% in 2025/26.

Reliefs for disposals to employee ownership trusts have also been scaled back and the rules for share reorganisations have been tightened. Both changes are already in force.

These changes won't affect everyone, but if you are considering business succession or restructuring, getting the timing and your approach right continues to be key.

Inheritance Tax - Agricultural and Business Property Relief Changes

As has been widely publicised, changes to Inheritance Tax (IHT) to Agricultural Property Relief (APR) and Business Property Relief (BPR) will come into force on 6 April 2026.

These reliefs were previously unlimited, but from April, 100% relief will be capped at £2.5 million of combined agricultural and business assets. Thereafter, the relief reduces to 50%. Unused amounts can be passed to a spouse or civil partner.

The £2.5 million limit is higher than initially proposed, but those who may be affected by the new cap may want to consider whether there are ways to rearrange their estate that would be effective in saving tax.

In Conclusion

If you are affected by any of these changes for 2026/27 and would like help in making sure you are in the best tax position possible, please get in touch. We would be happy to help you!

See: <https://www.icaew.com/insights/tax-news/2026/feb-2026/prepare-for-2026-27-individuals>

Could a Fiscal “Traffic Light System” Help Your Business Cut Through Uncertainty?

A leading think tank has criticised the fiscal rules that the Chancellor uses to determine the government's tax and spending plans. The Institute for Fiscal Studies (IFS) has suggested that reducing complex finances to a pass-or-fail number misses the bigger picture.

The Treasury, on the other hand, has said that the rules are helping to keep borrowing costs down and support long-term investment.

Of course, which view is correct when it comes to managing the country's finances could be an endless debate. However, the IFS proposal brings up an interesting idea that many businesses are using with success.

The IFS Proposals

The IFS are advocating moving to a fiscal “traffic light” system. Rather than judging the economy against the one requirement for “headroom”, a broader set of indicators should be assessed. And given a green, amber or red status.

Why This Idea Might Feel Familiar to Businesses

This traffic-light idea is something many businesses already use informally. For instance, it's very common to track financial health and business performance using a dashboard of red, amber and green indicators.

Business owners can get an ‘at-a-glance’ look at the different areas of the business and quickly flag potential problems.

Applying a Traffic-Light System to Your Own Business

A simple set of indicators is often all that is needed. Three or four core measures can help to assess the business and check its day-to-day resilience. For example:

- Cash flow - green if you have several months’ operating expenses covered; amber if cash is tightening; red if you’re relying on short-term borrowing.
- Debt levels - green if repayments are comfortable; amber if interest is creeping up; red if refinancing is looming or facilities are nearly maxed out.
- Profitability - green if margins are holding; amber if costs are rising faster than prices; red if losses are recurring.
- Sales pipeline - green if opportunities are converting; amber if lead volumes drop; red if future revenue is unclear.

Businesses using a traffic-light approach tend to make decisions earlier - whether that's tightening costs, adjusting pricing, or negotiating with lenders. It also helps everyone in the business get a picture of what's happening without necessarily needing to dive into pages of accounts.

If you would like help building a simple financial traffic-light dashboard tailored to your business, we would be happy to work with you in developing something that is based on the metrics that matter most to your business.

See: <https://www.bbc.co.uk/news/articles/c1kg48m937wo>

UK Unemployment Rises as Wage Growth Slows

The UK's unemployment rate has risen again, according to the latest data from the Office for National Statistics (ONS). In the three months to December 2025, unemployment increased to 5.2%, up from 5.1% in the three months to November. This marks the highest rate in almost five years.

Alongside the rise in unemployment, annual wage growth has slowed to 4.2%, its weakest pace in close to four years.

This combination of slower wage growth and rising unemployment suggests a cooling labour market.

Businesses Reacting to Higher Costs

Part of the slowdown may be linked to increased employment costs. The 2024 Budget raised employer national insurance contributions and increased the minimum wage.

Some businesses appear to have chosen to delay recruitment or leave vacancies unfilled as they review budgets for the year ahead.

Younger Workers Bearing the Brunt

The unemployment rate for 16–24-year-olds has risen to 16.1%. For school leavers and graduates, securing an entry-level role has become increasingly competitive.

Analysts have also raised concerns that investment in artificial intelligence could reduce the number of traditional starter roles over time, adding further pressure to new entrants to the job market.

Interest rates

The slowdown in wage growth may influence the Bank of England's next decision on interest rates and could give room for a further rate cut.

Looking ahead

For your business, a softer labour market might make it easier for you to fill certain vacancies, with more applicants available for job openings. However, it could also hint at weaker consumer confidence that may lead to slower sales. If you are planning investment, recruitment or borrowing in the coming months, this may be a useful moment to revisit those plans rather than rush decisions.

See: <https://www.bbc.co.uk/news/articles/c1l7pedyzjeo>

Campaign Urges SMEs to Adopt Cyber Essentials as Cyber Threats Rise

A new campaign has been launched to encourage small and medium-sized businesses to take some simple, practical steps to protect themselves from the most common cyber-attacks. The main drift is that basic cyber hygiene still prevents the majority of incidents.

According to the Cyber Security Breaches Survey 2025, 43% of businesses and 30% of charities reported having experienced some kind of cyber security breach or attack in the last 12 months. Across the UK economy, cyber threats are estimated to cost £14.71 billion each year. For many businesses, a single major attack could be enough to put trading at risk.

Cyber Essentials

The campaign centres on Cyber Essentials, which was developed by the National Cyber Security Centre (NCSC) and the Department for Science, Innovation and Technology. It focuses on five key protections that most businesses can implement without needing to have specialist IT expertise. These are:

- Firewalls
- Secure configuration
- Software updates
- User access control
- Malware protection

These five areas address the weaknesses most commonly exploited by cyber criminals. Basic oversights, such as out-of-date software or a lack of control over who has access to IT systems, continue to be the root causes of many incidents.

Getting Started

To help businesses get started, some free resources are being promoted as part of the campaign, including:

- Cyber Essentials Readiness Tool - an online self-assessment to identify gaps
- Free 30-minute consultations with an NCSC-assured advisor for SMEs preparing for certification

While it can be tempting to think you are too small to be a target, most cyber-attacks are automated and opportunistic and look for weaknesses in systems regardless of the size of the business. This campaign is a timely reminder that basic measures can significantly reduce the likelihood of disruption, protect cash flow and help safeguard customer trust.

See: <https://www.gov.uk/government/news/businesses-urged-to-lock-the-door-on-cyber-criminals-as-new-government-campaign-launches>

Inflation Drops to 3%

According to the latest figures released by the Office for National Statistics, UK inflation eased to 3% in January, down from 3.4% in December. Lower food, fuel and airfare prices appear to have been the biggest contributors to the reduction.

It's important to remember this doesn't mean prices are falling; they are just rising more slowly. Businesses still dealing with higher wages, energy and supplier costs will know that firsthand.

The combination of softer inflation and a slowdown in wage growth has increased expectations that the Bank of England will cut interest rates again when its Monetary Policy Committee (MPC) meets in March.

The latest inflation figure may suggest some better news for businesses over the coming months. Perhaps an easing of costs generally, or some relief from interest costs, particularly if your business has an overdraft or variable-rate loans.

See:

<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/latest>

Employment Rights Act - What is Changing First?

A new website has been launched by the Department for Business and Trade (DBT) offering practical guidance and support on the changes that the Employment Rights Act will introduce and what they can do to get ready.

The website provides details of upcoming changes, including several that come into force from April 2026. These include:

- Statutory Sick Pay - No earnings threshold and no three-day waiting period mean more employees will now qualify.
- Day-one family leave - Paternity Leave and Unpaid Parental Leave a right from the first day in a job.
- Bereaved Partner's Paternity Leave - A new right for time off following the death of a child's mother or primary adopter.
- Collective redundancy protections - The protective award for non-compliance is being increased.
- Stronger protections for workers who report sexual harassment.
- A new body called the Fair Work Agency will work to uphold workers' rights and support businesses with compliance.

The website includes details on how to prepare for changes and a timeline of when further changes will be introduced. It can be found [here](#) and would be well worth saving to your browser favourites.