

Written by 1 June 2026

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!

Temporary VAT reduction on children's meals, tickets and family attractions

The government has announced a temporary reduced rate of VAT for children's meals in restaurants and family leisure activities over the summer.

VAT will be reduced from 20% to 5% between 25 June and 1 September 2026 for qualifying activities as the government tries to ease pressure on household budgets and promote activity for tourist businesses.

The temporary VAT reduction applies in England, Wales, Scotland and Northern Ireland. In addition, children in England aged 5-15 will qualify for free bus travel during August.

The dates the relief applies between are set to coincide with the start of the Scottish school summer holiday on 25 June, and the end of the school holidays in England, Wales and Northern Ireland on 1 September.

Which services are eligible for the reduced rate?

The reduced 5% rate will apply to:

- Children's meals served in restaurants for consumption on the premises. These need to be served from a dedicated children's menu and marketed, presented and priced as such.
- Children's and family tickets for cinema, theatre, exhibitions, shows and concerts.
- Admission tickets for children and adults to attractions such as amusement parks, fairs, circuses, museums, zoos, adventure parks, soft play and observation attractions.

Takeaway meals and sporting activities will not qualify for the reduced rate.

How will the reduced rate apply to season tickets and advance purchases?

Season tickets that permit repeat entries with the relief period (25 June - 1 September) will qualify for the reduced rate. However, where a ticket allows repeat entries before or after the relief period it will not qualify for the reduced rate, unless it is priced the same as a standard single-entry ticket.

The reduced rate can be applied to advance and prepaid sales where the admission will take place during the relief period. This includes those that were made before the government's announcement.

If a business has already paid over standard rate VAT on such a sale on their VAT return, they can make an adjustment on their next return to be refunded the VAT. The government does however expect businesses to refund any overpaid VAT back to the customer.

How will businesses pass the savings on?

The government expects businesses to lower their prices so that the VAT cut is passed directly on to the customer.

This may require work in updating signage, tills, accounts software and websites to deal with the revised pricing for the summer. However, this may be justified by the increased footfall.

Affected businesses should check how the rules will apply in their specific circumstances. Detailed [HMRC guidance](#) is available to help businesses.

If you need any help in dealing with the temporary VAT reduction, please feel free to contact us. We would be happy to help you!

Tax-free mileage rate increases by 10p per mile

The Chancellor of the Exchequer last week announced a 10p per mile increase in the tax-free mileage rate that applies to the first 10,000 business miles travelled in a car or van in a tax year.

The increase, which has been backdated to April 2026, means that the rates for the 2026-27 tax year are now as follows:

Kind of vehicle	Business miles	Pence per mile
Car or van	First 10,000	55p
Car or van	After 10,000	25p
Motorcycle	All	24p
Cycle	All	20p

Cars and vans include electric and hybrid cars and vans as well as those that run on petrol and diesel.

The rates mean that employers can reimburse their workers claims for business travel at these rates (or below) free of tax and national insurance.

These rates are also useful to self-employed individuals, as a deduction can be claimed based on their business mileage without needing to make any adjustment for private use. The business is just required to keep a mileage log of business journeys.

Note that a business can only use these rates if capital allowances have not been claimed on the vehicle, and the cost of the vehicle has not been claimed as a deduction under cash basis accounting.

If you need any help using the rates in your business, please do get in touch. We would be happy to help you!

Fit note system to be overhauled

The government has launched four new pilots as it looks for the best way to reform the fit note system for workers who fall ill.

The pilots will last up to a year and cover up to 100,000 appointments. A variety of methods are being explored so that the current fit note system will eventually be replaced by personalised 'stay in work' and 'return to work' plans.

According to published government information, only three out of ten Healthcare Professionals in Primary Care consider fit notes to be a good use of GPs time. Six in ten employers think the current process is ineffective at supporting their employees' work and health needs.

During the pilots, patients will be offered either an initial fit note from a GP and then referred to community health workers or will instead be supported by a separate service staffed by clinical and non-clinical practitioners without an initial fit note from a GP.

A range of work and health support will be provided. This could include three-way conversations between patients, employers, and trained professionals that cover reasonable adjustments and keep people connected to their workplace.

The areas covered by the new pilots are Birmingham and Solihull, Coventry and Warwickshire, Cornwall and the Isles of Scilly, Lancashire and South Cumbria.

Findings from the pilots will inform decisions and legislation for reforming the fit note system.

Late payment legislation laid before Parliament

Following its mention in the King's Speech, the Small Business Protections Bill has now been put before Parliament.

The Bill introduces measures that are designed to help alleviate some of the difficulties smaller businesses face in getting paid. They include:

- A 60-day cap on payment terms for large businesses paying small suppliers.
- Mandatory interest on late payments. This is to be set at 8% above the Bank of England base rate.
- A prohibition on withholding retention payments in construction contracts.
- New powers for the Small Business Commissioner to be able to investigate businesses that have poor payment practices, arbitrate in disputes and fine persistent late payers.

- A requirement for the boards or audit committees of large companies to publish explanations of late payment performance and what steps are being taken to improve.

Smaller businesses will be keenly watching the Bill's progress through its Parliamentary processes to see when these measures will come into force.

ICO reports on potential changes to online advertising

The Information Commissioner's Office has published their findings on how consent requirements in the Privacy and Electronic Communications Regulations (PECR) may be preventing businesses from using more privacy-preserving forms of online advertising.

PECR and the UK General Data Protection Regulation (UK GDPR) help to protect people's privacy when using online services. For instance, consent is required when a website intends to store and access cookies, scripts and tags for online advertising purposes.

However, these regulations apply consent requirements regardless of the privacy risk involved. Some businesses have found this to be a barrier when they try to adjust advertising on their website to something users would find less intrusive.

The government is currently considering making changes to the regulations and the ICO's advice may influence this process.

The ICO considers that privacy risks are lower when online adverts are based on the content the user is currently looking at. On the other hand, they are higher when the adverts are using information from a user's past online activity.

As a result, the ICO's work shows how legislation could be amended so that certain low risk forms of advertising could be allowed to operate without first needing the consent of the user. Intrusive tracking and profiling people as they use the internet would continue to need consent from the user.

Nothing has changed to the current rules yet, So, businesses need to continue complying with the current PECR rules. However, the ICO's report suggests that a change is coming that could better balance effective advertising for businesses with the need to protect user's privacy.

New guidance recommends starting small with agentic AI

The National Cyber Security Centre (NCSC) has jointly published new guidance with international partners on the use of agentic AI. They have also published a blog summarising key points from the guidance.

Agentic AI is the next generation in Artificial Intelligence (AI). It refers to AI systems that can act independently to achieve goals, rather than just responding to prompts.

Rather than just answering questions, it can plan, make decisions, and take actions on its own.

For instance, you could give it the task of 'booking a holiday for less than £500', and it would then search for flights, compare prices, check your calendar and book the best option.

While this could be very useful in many scenarios, it is easy to see how one mistake could quickly become a serious incident.

The NCSC are therefore saying that is crucial to think carefully before deploying agentic AI. Their guidance covers:

- How agentic AI increases the risk.
- Approaching adoption very carefully.
- Developing and adopting agentic AI with security in mind.
- Insisting on human accountability.
- Applying cyber security best practice.

The guidance is well worth consulting if you are considering the use of agentic AI in your business, or if you are interested in the development of AI.

The blog is available on the NCSC's website [here](#), and the full joint guidance is available [here](#).

Companies House and the IPO warn about fake payment requests

Companies House and the Intellectual Property Office (IPO) are asking businesses to take special care of misleading requests for payment sent by fraudulent organisations.

Invoices are being sent to companies that request payment for Companies House and IPO services. They may be posted to a company's registered office address or sent by email.

The invoices request payment for services at inflated prices that are available for a much lower fee, or even free of charge, directly from legitimate sources.

Payments are often requested for things like:

- Setting up or claiming the company's Companies House online account.
- Authenticating the company's Companies House account or verifying details.
- Renewing a trade mark or including it on an 'exclusive online register'.

Companies House and the IPO are advising companies that where they are not sure if a request for payment is genuine, they can:

- Check any website and email addresses in the letter or email to see whether they are provided through GOV.UK.
- Look for disclaimers stating the organisation is not affiliated with government.
- Contact Companies House or the IPO directly to verify any requests.

Contact details for Companies House and the IPO can be found [here](#).