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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!

Expansion of SME growth scheme

The Chancellor, Rachel Reeves, has announced an expansion of the British Business Bank's (BBB) Growth Guarantee Scheme (GGS). This provides a 70% government guarantee on commercial loans to SMEs of up to £2 million, cutting credit risk.

The changes will enable the scheme to scale up with an additional £2 billion of Small to Medium-sized Enterprises (SME) lending per year by 2028/29. This will bring the total lending supported through the scheme to £3.35 billion per year, more than double the current £1.35 billion.

It will also increase the maximum term length of a loan from six to 10 years for loans of up to £1.1 million and increase the maximum size of businesses eligible for a loan under the scheme from £45 million in annual turnover to £54 million.

The British Business Bank estimates these changes will support an additional 12,000 businesses per year by 2028/29, a 150% increase on the 8,000 currently being supported, bringing the total to 20,000. Since its launch in 2022, the scheme has delivered over £3.7 billion of financing to UK SMEs, with £2.5 billion of this reaching businesses outside of London and the Southeast.

It is claimed that every £1 spent on the scheme is estimated to support around £10 of lending by banks.

Apply for Digital Twin Adoption Accelerator 2026

A programme that pairs Small and Medium-sized Enterprises (SMEs) with industry partners to build and test digital twin solutions for business problems is now open to applicants. Successful projects will also receive up to £100,000 in Innovate UK grant funding.

Participants will take part in a nine-month programme designed to accelerate the adoption of new technologies. It teams an SME industry adopter with a technology vendor in the areas of Automotive, Agri-tech, Maritime, Aerospace, Space, Defence, Clean Energy, Creative and Life Sciences.

It is organised by Digital Catapult, the UK innovation agency for advanced digital technology, developed in conjunction with Innovate UK. The lead applicant and co-applicant of the programme may be a representative from either the industry adopter or the technology supplier.

What the programme offers

Participants in the programme will get technical support from Digital Catapult and access to facilities and real-world testing environments. There will be one-to-one mentoring throughout the programme with opportunities to collaborate with industry partners. There will also be a final showcase event for industry, government and investors.

Who can apply

Applications must be from pre-formed partnerships between a UK-based technology SME developing digital twin capabilities (for example, in data services, cyber-physical systems or AI) and an industry organisation looking to adopt solutions.

Applicants must be a UK-registered company and have a demonstrable idea or solution to fit within the Digital Twin Technology Stack.

They must be a partnership between a technology vendor and an industry adopter in automotive, agri-tech, maritime, aerospace (including space), defence, clean energy, creative and life sciences sectors and be available for the full programme duration over November and July and attend 75% of the workshops.

Applicants must also be within State Aid allowances. The deadline for applications is 6 September 2026.

More details, including links to FAQs, can be found on the Digital Catapult website: <https://dc.simplydo.co.uk/challenges/6a2c015ed41734038ed68628>

Changes planned for modernising company taxation on capital distributions

HMRC have opened a consultation, 'Modernising the taxation of distributions and repayments of capital from companies'. They are seeking views on proposals to modernise the tax framework dealing with distributions made by companies to shareholders who are individuals or trusts.

The consultation explains that there are seven areas of the distribution rules where HMRC consider that the legislation has not kept pace with commercial practice. It has remained largely unchanged since Corporation Tax was introduced in 1965. These are:

- Reduction of capital.
- Demergers.
- Income Tax treatment of distributions from non-UK resident companies.
- Interaction between debt, loans and the distributions legislation.
- Loans and other temporary extractions from non-UK resident companies.
- Purchase of own shares rules.

- Updated capital extraction anti-avoidance in respect of Transactions in Securities (TiS).

Financial or commercial extractions that do not fall within Income Tax (IT) often result in capital distributions, which are instead subject to Capital Gains Tax (CGT). This affects both the amount of the extraction that is taxed and the tax rate at which it is charged. The result is that economically similar payments to a shareholder can be taxed inconsistently. The proposed changes seek to address this.

Proposals

The consultation proposes that share buybacks and other returns of capital will reflect a 'frozen' amount of capital on the shares in any future holding companies at the amount subscribed on the original investment. This is to prevent a shareholder who does not meet the conditions for a purchase of their own shares from extracting capital by inserting a holding company and later implementing a capital reduction to withdraw funds at CGT rates.

It also proposes removing the capital reduction demerger route of restructuring a company or group, with a corresponding relaxation of the statutory demerger rules to allow the rules to apply to investment businesses and non-UK resident companies.

The distributing company could be dissolved post-distribution, provided that it contains no assets.

A statutory demerger route could be available to help the onward sale or change of control of the demerged business, or a cessation of trade. This would only apply if these events took place at least five years after the demerger transaction.

There could be new conditions for a company's purchase of its own shares, including that the selling shareholder must have held at least a 5% shareholding for two years before the transaction and have worked for the company throughout that period. This would be extended to five years, where the selling shareholder retains family connections with remaining shareholders and directors, with capital treatment being withdrawn if they return as a shareholder or director within five years.

There would be no retention of a small holding for sentimental reasons.

The company must also take reasonable steps to ensure that the consideration paid for the shareholding does not exceed the market value.

There are also proposals to bring more types of payment on foreign shares within the IT regime, including stock dividends, the transfer of assets or liabilities between the member and the company and certain issues of bonus shares.

It is proposed that there be a closer alignment of the loan to participators and distribution rules to provide greater clarity, including clearly setting out which rules take priority.

Proposals also include a charge under the loan to participators rules for loans from non-UK companies, which would be close companies if they were UK resident. This would likely fall on the UK resident individual.

It is suggested that an amendment or replacement of the TiS rules be made with an updated anti-avoidance regime. The new regime would tackle scenarios where a taxpayer is party to arrangements that enable them to extract value from a company and avoid paying tax.

Responses to the consultation can be emailed to distributionsreform@hmrc.gov.uk. The consultation ends on 14 September 2026.

Should you be unsure of your tax position and would like advice on any capital distributions you are thinking about from your company, please get in touch. We're here to help.

NAO says employer confidence is critical to construction skills package's success

The government has promised a package of reforms for the construction industry, but a new report from the National Audit Office has warned that its success could be at risk.

The government's ambitions to build 1.5 million homes, upgrade home energy standards and deliver a £725 billion long-term infrastructure pipeline will depend on a significant expansion of the construction workforce.

There must be a stronger employer involvement in training the next generation of workers for it to work. The NAO warns that employers continue to be affected by challenging economic conditions that could put the success of the skills package and wider building commitments at risk.

The watchdog examined the government's progress in delivering its £625 million construction skills package, announced in March 2025, which aims to support up to 60,000 more construction workers by 2029. The package combines tried and tested initiatives alongside newer ideas, including Skills Bootcamps, new foundation apprenticeships and construction technical excellence colleges.

The NAO points out that there are flaws. The package is not designed to meet all future workforce needs, with government estimates showing that between 201,000 and 755,000 extra workers could be required by 2030, before accounting for those who leave the sector for other jobs.

This comes as statistics show the construction sector had the highest rate of hard-to-fill vacancies due to skills shortages - 45% compared with a 27% national average.

Businesses make recruitment and training decisions depending on the expected pipeline of work, costs and market competition. Tough economic conditions are affecting employers' confidence to invest and take on new employees and apprentices. In 2024, employer investment in training per construction trainee was at its lowest level in 10 years.

The National Audit Report could be found here: <https://www.nao.org.uk/reports/increasing-construction-skills/>

Free, hands-on cyber consultancy available for SMEs

Cyber Advisors are offering free 30-minute consultations to help small businesses get started with cybersecurity.

As smaller businesses become more frequently targeted, the National Cyber Security Centre (NCSC) is reiterating the need for them to be more robust in their approach to digital security. It's aware that investing in cyber security can seem more like a costly distraction than a priority for smaller companies as they concentrate on keeping customers happy, managing cash flow and day-to-day business.

The NCSC points to the statistics. In 2025, 65% of medium and 46% of small organisations reported a cyber breach or attack. The problem is that Small to Medium-sized Enterprises (SMEs) see cybersecurity as too complicated, too expensive and don't address the real-world risks that small businesses face.

Many Cyber Advisors are now offering a free 30-minute consultation for SMEs that are looking to get started with Cyber Essentials, the government's baseline for cybersecurity.

This no-strings-attached introductory consultation provides businesses with an opportunity to ask questions and get an explanation of how the five steps that make up Cyber Essentials can be applied to your organisation using practical, achievable implementations.

The National Cyber Security Centre (NCSC) introduced Cyber Advisors in 2023, a network of cybersecurity consultants who've been assured by the NCSC to work specifically with smaller organisations.

More information on the free consultation can be found here:

<https://iasme.co.uk/cyber-advisor/free-advice/>

HMRC is watching you

Companies and individuals that are careless or even illegal in their tax affairs need to watch out. New figures show that HMRC has paid out £1.4 million in rewards to whistleblowers of tax illegality.

A record number of reports were made to HMRC in the 2025-26 tax year, hitting 170,992.

The last Budget saw the government strengthen a reward scheme for tip-offs. Payouts only go to tips that lead HMRC to recover more than £1.5 million in tax. Informants now receive between 15% and 30% of the value of the extra tax collected.

Recent HMRC figures on the tax gap - the difference between the tax owed and the amount actually collected – showed that small businesses made up the largest share of uncollected tax, two-thirds of the £59.2 billion shortfall.

HMRC have also just released a two-minute YouTube video as a 'general explainer' on the scheme. It is aimed at employees, family members, friends or acquaintances of high-net-worth individuals or businesses engaged in suspected serious tax evasion or avoidance. It sets out what the scheme is, what rewards eligible informants could receive and how any information provided may help HMRC to tackle the tax gap and fund vital public services.

The video can be found here: <https://www.youtube.com/watch?v=wsmzQR-Uhqc>

Should you be unsure of your tax position and need advice, please get in contact. We're here to help.

Rules of Origin under the UK-India Free Trade Agreement

The new UK-India Free Trade Agreement (FTA) promises to create new opportunities for businesses to strengthen trade links with India, according to the government.

To benefit from the agreement's preferential tariff rates, it is important to understand the rules of origin, which determine whether goods qualify for preferential tariffs. Businesses must also register with HMRC if they are planning to complete origin declarations for exports under the FTA.

Businesses should be aware that it's not all good news. While the FTA is between the world's fifth and sixth largest economies and removes or reduces tariffs on 99% of Indian exports to the UK and 90% of UK imports into India, the details are complex.

Trade experts believe that the overall impact of the deal could be incremental rather than transformational.

Data reported by the BBC show that India exported \$13.4 billion worth of goods to the UK in 2025-2026, but more than half of these exports already came into the UK duty-free under its most favoured nation regime. On the import side, India imported \$11.7 billion from the UK, but over 45% consisted of silver.

What are the Rules of Origin?

Rules of origin determine whether a product is considered to originate in the UK or India for trade purposes. Only goods that meet the agreement's rules of origin are eligible for the preferential tariff rates. Businesses need to review their supply chains, sourcing arrangements and origin documentation to ensure they are ready to benefit when trading under the agreement and benefit from reduced or zero tariffs.

If your business exports goods to India or is exploring new opportunities in the market, the government recommends checking whether the products meet the rules of origin requirements and registering with HMRC to complete origin declarations.

If you do not register, your origin declarations will be rejected, and your importer will not be able to claim the preferential tariff rates available under the agreement.

To find out more, go to: <https://www.gov.uk/guidance/register-to-complete-origin-declarations-under-the-uk-india-free-trade-agreement>

New UK investment fund

Investors representing over \$3 trillion of assets under management from across North America, the Gulf, Asia and Australia will participate in InvestConnect, a new UK investment fund. Aimed at connecting the UK's nations and regions to trillions of pounds of global capital, the new platform was developed in consultation with professional investors, government partners and the UK's nations and regions.

Touted as "... a trusted, AI-enabled platform", somehow the technology will help "... package opportunities, standardise information and connect global capital with credible UK investment opportunities".

Launched at the Chancellor's annual Mansion House dinner, the new digital investor-led platform is being developed by InvestConnect Global Limited in partnership with the City of London Corporation. Cornwall Council, the Scottish Government and Liverpool City Region Combined Authority have become the platform's first Founding Opportunity Partners.

The argument is that while there is a global appetite to invest in the UK, opportunities have been seen as fragmented and inconsistently presented, making them difficult for investors to access and compare.

The new investment platform is expected to launch in Autumn 2026 and will initially focus on large-scale infrastructure and real asset opportunities, typically representing transactions of £100 million or more.

Steel import tariffs - what NI businesses need to know

The UK and European Union (EU) introduced new steel import controls on 1 July 2026. These changes reduce the amount of steel that can be imported without paying duty and introduce 50% tariffs on imports above quota limits.

If a NI business imports or uses steel, these changes could affect costs, suppliers and supply chains.

What has changed?

In the UK, from 1 July 2026, the UK Government reduced tariff-free steel import quotas and applied a 50% tariff to imports above those quotas. These measures apply to 20 steel product categories.

At the same time, the EU is introducing revised safeguard measures, including reduced tariff-free quota volumes, 50% tariffs on imports above quota limits and new traceability requirements, such as identifying where the steel was originally produced (melt and pour).

What this means for Northern Ireland businesses

Northern Ireland businesses may be affected by both UK and EU rules. Under the Windsor Framework, goods entering Northern Ireland from outside the EU Single Market, including from Great Britain and the rest of the world, may be treated as 'at risk' of moving into the EU.

Where goods are classed as 'at risk', EU tariffs and rules may apply. This means businesses importing steel may need to consider both the UK and EU quota systems and could face tariffs depending on how goods move into Northern Ireland. They may experience more complex customs and sourcing decisions

How this could affect your business

If your business imports steel or uses steel in manufacturing, you may see:

- Higher import costs if tariffs apply.
- Reduced availability of tariff-free quota.
- Changes to supplier options.
- Pressure on pricing and profit margins.
- Disruption to supply chains.

These impacts may be greater if you source steel from outside the EU or rely on imports via Great Britain.

What you should do now

If your business is affected, you should check your products and confirm whether the steel you import falls within the UK or EU safeguard categories. Businesses should review their supply chain and identify where the steel is sourced from and whether alternative suppliers are available.

It could be worth talking to your customs adviser about how these changes apply to your imports. It is worth checking documentation requirements to ensure you have the necessary supplier information, including evidence of where the steel was produced.

Duty support schemes

Some Northern Ireland businesses may be able to reduce the impact of EU tariffs through the Customs Duty Waiver Scheme and the Duty Reimbursement Scheme.

These schemes can help offset EU tariff costs in certain circumstances, but they are subject to eligibility criteria and limits, and they apply to EU duty on 'at risk' goods, not UK tariff exposure. They may require detailed evidence.

For full details of the measures and affected products, see:

<https://www.gov.uk/government/publications/uks-steel-trade-measure-from-1-july-2026/uks-steel-trade-measure-from-1-july-2026>

Scottish National Investment Bank publishes scorecard

The Scottish National Investment Bank has published its *2026 Impact Report*. As an 'impact investor', the Bank makes commercial investments that aim to deliver financial returns and societal benefits. It offered new plans “to design a fund to support innovative businesses emerging from Scottish universities in the coming year” and boost the £100m it has already invested in university-derived businesses.

The annual report tracks the Bank's performance and highlights:

- That investments have positively impacted 325,739 people since launch through regeneration, high-quality housing and connectivity. That's an increase of 118,697 since the previous year.
- Investments have supported the building of 983 new homes since launch. That's an increase of 241 since the previous year.
- The portfolio has supported 3,330 jobs. That's an increase of 239 since the previous year.
- Scotland's transition to a low-carbon economy is a core investment objective. Through investments, it has helped avoid or reduce over 235,000 tonnes of carbon emissions, supporting cleaner energy and more sustainable industries.
- Portfolio companies reported a £411m supply chain spend in Scotland since launch. That's an additional £134m from the previous year.
- Portfolio companies reported £149.2m was spent on research and development since launch, an additional £55.2m over the previous year.

Since its launch, the Bank has committed over £1 billion, which it estimates that for every £1 million invested, an average of £1.7 million of additional capital was brought into the Scottish economy.

It also signalled a change in policy for the future. It has previously targeted technology and life science innovation, but aims to be sector agnostic in future years, focusing on businesses with demonstrated growth and a differentiated position in the market. It will also look at how AI is effectively embedded within companies where it's integral to their service or product.

The full report can be found here: https://www.thebank.scot/sites/default/files/2026-06/SNIB130%20Impact%20Report%202026_v10_150626.pdf