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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!

### **Understanding economic changes: How recent events affect businesses**

Data releases in recent weeks from the Office of National Statistics (ONS) coupled with Bank of England decisions might make recent news about the economy seem a bit confusing. Understanding how this news affects businesses is important so let's break it down.

#### Growth in the economy

The latest reports show that the economy grew by 0.6% from January to March 2024, which is good news! It is a 0.9% increase from the previous quarter and means the recent recession seems to have reached its end – businesses generally are doing well. However, swings over a short period underscore the necessity for businesses to adapt swiftly to change.

#### Interest rates and prices

Despite hopes otherwise, the Bank of England decided not to change the official interest rate because of ongoing concerns over inflation.

The Consumer Price Index (CPI) declined slightly from 3.4% in February to 3.2% in the 12 months to March 2024, but remains above the Bank's target of 2%. While inflation is falling, it has not fallen as quickly as hoped earlier in the year.

The delay in reducing the official rate has led to implications for borrowing costs, and this has been seen in the recent uptick in the prices of 2-year and 5-year fixed rate mortgages.

#### What this means for businesses:

So, what does all this mean for businesses? Well, it's a bit of a mixed bag. The good news is that the economy is growing, which is generally good for businesses. But, because prices are still going up faster than the Bank of England would like, they're keeping interest rates the same. This may make borrowing money more expensive.

#### What businesses can do:

With economic shifts like these, businesses need to stay resilient and agile. Here's a few things you can do:

- Strategic financial planning: Analysing finances, sales, and customer spending patterns can help you recognise trends. You can then work out what to do to head off potential risks or capitalise early on opportunities.

- Keep your costs streamlined: Make sure that you're getting value out of what you pay money out for. Cheapest isn't necessarily best and cutting costs by switching suppliers doesn't always make for good business, however it's often possible to identify areas to save some costs without interrupting your business.
- Keep customers happy: Make sure you're offering good value for money to your customers, so they keep coming back to you. You might look at whether products or services you offer could be enhanced to appeal to more customers. Perhaps a change in pricing strategy could win more customers or be more profitable (not necessarily the same thing!). Or, maybe an adjustment to your customer care might lead to a better experience that builds stronger loyalty.

While recent economic indicators paint a mixed picture, businesses can still thrive by being smart and staying prepared for whatever comes their way.

A strategic plan can help you to keep your business focused on clear objectives through periods of uncertainty. If you don't have one, or it's been some time since you last reviewed it, why not ask us about our tools for creating a strategic plan?

### **Are you an early bird?**

HM Revenue & Customs (HMRC) have released figures showing that 295,250 Self Assessment tax returns were filed in the first week of the new tax year. Almost 70,000 were filed on the first day – April 6<sup>th</sup>.

This seems to suggest an increasing trend for filing tax returns early. Last year, 246,210 returns were filed in the opening week.

Tax returns do not need to be filed until 31 January 2025, however filing early does bring advantages. You get more time to budget and plan for paying your tax bill as well as peace of mind from knowing an essential task has been ticked off your to-do list.

However, it is especially good if you have overpaid tax since tax refunds will be paid as soon as the return has been processed, Therefore, the earlier the tax return is filed, the earlier a refund can be received.

You may need to complete a tax return for the 2023 to 2024 tax year if:

- You are self-employed with an income over £1,000.
- You received any untaxed income in the year over £2,500.
- You rent out one or more properties.
- You claim Child Benefit but you or your partner's income is above £50,000.
- You are a partner in a partnership business.
- Your taxable income from savings and investments is more than £10,000.
- Your taxable income earned from dividends is more than £10,000.
- You have paid Capital Gains Tax on assets sold for a profit above the Capital Gains threshold.

If you are new to Self Assessment and think you might need to complete a return, you can use HMRC's [online tool](#) to check your situation.

If you would like help in completing your tax return, please do not hesitate to contact us at any time. We will be happy to help you!

See: <https://www.gov.uk/government/news/300000-file-tax-returns-in-the-first-week-of-the-tax-year>

## **Government promise to cut National Insurance confirmed**

While commenting on the GDP growth and what it indicates about the economy, the Prime Minister again drew attention to National Insurance.

The article released by the Prime Minister's Office noted that the progress in the economy has allowed them to bring down taxes, particularly the recent cuts in National Insurance.

The article went on to say: "We think it's unfair that workers pay two taxes on their income – income tax and National Insurance – when those who earn their income from other sources only pay income tax. That's why we want to keep cutting National Insurance until it's gone."

Likely part of an election strategy, but this again confirms that we can expect further cuts to National Insurance.

The lack of National Insurance to pay on dividend payments is a key reason why many company shareholders choose a blended salary/dividend approach to extract money from their company. However, cuts to National Insurance will lessen the tax advantages that dividends bring.

The cuts that have already been made mean that taxpayers in certain situations will want to review their profit extraction strategy. Future cuts will likely mean more need to do this.

If you are unsure about your profit extraction strategy please feel free to get in touch with us and we will be happy to carry out a personalised review for you.

See: <https://www.gov.uk/government/news/what-does-gdp-growth-mean-for-me>

## **Ransom payments: New guidance on ransomware demands**

The National Cyber Security Centre has joined forces with three major UK insurance associations to release new guidance designed to help reduce ransom payments made by victims of cyber crime.

The guidance sets out best practice and gives recommendations that can help businesses and other organisations make informed decisions when they are faced with ransomware. Following this guidance should help to minimise disruption and the cost of an incident.

Ransomware is popular with cyber criminals and the number of attacks on UK businesses continues to increase, making ransomware the key cyber threat facing UK businesses and organisations.

Ransomware involves a criminal or criminal group accessing a computer network and using malware to encrypt files and prevent access to data and devices. The criminals then demand a ransom for a decryption key that will decrypt the files and restore the system.

NCSC and law enforcement partners discourage paying ransoms since they don't guarantee the end of an incident. Even years later, the attacker may come back with a threat to publish or sell stolen data. Paying ransoms also gives an incentive for criminals to continue and even expand ransomware attacks.

The guidance highlights the following things to consider in the event of an attack.

- Don't panic – slowing down to review the options can improve decision making and improve the outcome.
- Review the alternatives, including not paying – backups or other ways to recover systems and data may be available. Law enforcement also make decryption keys freely available.
- Record your decision-making.
- Where possible, consult experts – insurers, the NCSC, police and cyber incident response companies can help you make good decisions.
- Involve the right people across the organisation in decisions, including technical staff – make sure the options haven't been prematurely presented; look at all the possible evidence.
- Assess the impact – there's no guarantee that paying a ransom will secure data, so consider what you need to do about stolen data, including reporting it to the Information Commissioner's Office (ICO).
- Investigate the root cause of the incident to avoid a repeat attack.
- Be aware that payment does not guarantee access to your devices or data.
- Consider the correct legal and regulatory practice around payment – ransom payments may not be lawful.
- Know that paying a ransom does not fulfil your regulatory obligations – the ICO would not reduce the amount of any penalty if a business had paid a ransom but not fulfilled any reporting obligations.
- Report the incident to UK authorities.

To read the guidance in full, see: <https://www.ncsc.gov.uk/guidance/organisations-considering-payment-in-ransomware-incidents>

### **Less than a month left for exporters to move to Customs Declaration Service**

Submitting export declarations through the Customs Declaration Service (CDS) becomes mandatory for all businesses on 4 June. CDS will replace the Customs Handling Import and Export Freight (CHIEF) on that date.

Businesses that use a customs agent to submit their export declarations should check that their agent is ready for the change.

If you make your own declarations rather than using an agent then you need to make sure that you have software in place that will work with the CDS system.

HMRC are encouraging businesses that need help in migrating to CDS to get in touch with a customs agent that is ready for the new system and can provide help.

The new system should be more user-friendly and streamlined, giving businesses more time to concentrate on growing rather than compliance.

DPD UK have expressed confidence in the change, saying: "Overall, our business experience when migrating to CDS for exports was very smooth. We saw little operational impact and were supported in managing outstanding clerical challenges after migration."

If you need help getting in touch with a customs agent, please give us a call and we'll be happy to help you.

See: <https://www.gov.uk/government/news/less-than-one-month-to-go-for-exporters-to-move-to-the-customs-declaration-service>

### **UK benefits from tech investments of over £2 billion in one week**

HM Treasury have published a press release pointing out that over £2 billion has been invested by leading tech firms in the UK in the space of just one week.

Coreweave, the AI (artificial intelligence) firm, are investing £1 billion in the UK and have confirmed that their new European headquarters will be based in London.

Siemens Healthineers have also announced an investment of £250 million to design and manufacture superconducting magnets for MRI scanners at a new facility in North Oxfordshire.

This news follows Scale AI, the data infrastructure company for AI, announcing that it will locate its first European headquarters in London and the announcement about Wayve, a British business, receiving over \$1.05 billion for developing the next generation of AI-powered self-driving vehicles in the UK.

According to statistics presented by HM Treasury, around half of all AI private capital investment in Europe is in the UK, and hundreds of AI companies are starting up in the UK every year. The AI sector employs more than 50,000 people in the UK and contributes more than £3.7 billion to the UK economy every year. Estimates suggest that the UK AI market will be worth over \$1 trillion by 2035.

See: <https://www.gov.uk/government/news/leading-tech-firms-invest-over-2-billion-in-the-uk-in-one-week>

## **Farming and food sector receives new support measures**

Measures to support farmers and help the UK's farming and food sector grow were announced last week by the government.

The support package is designed to support domestic food production and boost innovation so that the sector can reach its full potential.

### A new blueprint

A blueprint to grow the UK fruit and vegetable sector is included as part of the measures. This is a plan to increase the amount of fruit and vegetables produced in the UK.

The blueprint includes plans for ensuring access to affordable and sustainable energy and water, cutting red tape so that glasshouses can be built more quickly and easily, and new investment aimed at boosting innovation.

To look at the blueprint in full, see: <https://www.gov.uk/government/publications/a-blueprint-to-grow-the-uk-fruit-and-vegetable-sector>

### Food Security Index

A new annual Food Security Index has also been published. This index is UK-wide and gives an assessment of the state of UK food security in 2023 to 2024.

Rather than being a single figure, the index looks at 9 indicators across a range of areas. This allows for a more qualitative, well-rounded assessment to be made.

The new index shows an overall assessment of UK food security as being broadly stable. It does mention though that there are longer term risks from climate change, and an exceptionally wet winter and spring in 2024 pose significant challenges to some domestic production.

To read about the Food Security Index and its 9 indicators in full, see: <https://www.gov.uk/government/publications/uk-food-security-index-2024/uk-food-security-index-2024>

## **Dundee to be ‘levelled up’**

The government levelling up policy is all about reducing inequality based on where people live.

As part of this policy, Dundee has now been selected as the first area in Scotland to receive a £20 million Levelling Up Partnership investment to help the area grow and regenerate.

Levelling Up Partnerships (LUP) are bespoke regeneration programmes that the government uses to level up skills and opportunities, try to improve people’s quality of life, and address local challenges that may be impacting on the area’s ability to thrive. Hull and Mansfield are currently receiving an LUP, with Dundee being the first Scottish area to benefit. Further areas are currently being looked at.

Amongst other things, the Levelling Up Partnership for Dundee will include:

- £5m to build a new campus and also provide a new health and social care training facility at Dundee and Angus College.
- £3m to help with creating a new Grade A office development on the Waterfront.
- £2m for developing a specialist centre for protein science in the Life Sciences Innovation District.
- £1.1m for establishing a legal tech education centre and workspace.
- £500,000 to help with completing a 26-mile travel route around the city.

The investment will likely bring opportunities for businesses in and around Dundee and their supply chains.

See: <https://www.gov.uk/government/news/levelling-up-partnerships-rolled-out-in-scotland-for-first-time>