

BRIEFING NOTE

The EU AI Act: what small business owners need to know

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What is the EU AI Act?

The EU AI Act is the world's first major law dedicated to artificial intelligence. Rather than treating all AI the same way, it sorts AI tools into levels of risk and applies stronger rules to the tools that could do more harm.

It came into force in August 2024, and its rules are being introduced in stages between 2025 and 2028. Some parts already apply. Others are still on the way, and the timetable has recently changed (more on that below).

The good news: most day-to-day business tools, such as spell checkers, spam filters, or basic scheduling software, are not affected at all.

Does it apply to my business?

Yes, if any of the following applies to you:

- You use AI tools in your business, even off-the-shelf ones such as chatbots, AI writing assistants, or recruitment software.
- You offer an AI-powered product or service to customers.
- You are based outside the EU, but your AI tool's output is used by people in the EU.

There's no exemption for being small. Even a one-person business is covered if it falls into one of these categories, though the level of obligation depends on what the AI tool actually does.

The four risk levels

The Act groups AI uses into four levels. Most businesses will only ever deal with the bottom two.

Risk level	What it means	Example
Unacceptable (banned)	Not allowed at all, in any circumstances.	AI that manipulates people, or scores citizens on their behaviour.
High risk	Allowed, but with strict rules on testing, record-keeping and human oversight.	AI used to screen job applications, monitor staff, or assess credit.
Limited risk (transparency)	Allowed, but you must tell people they are dealing with AI.	A customer service chatbot, or an AI-written blog post.
Minimal risk	No new rules at all.	Spam filters, spell checkers, stock-ordering tools.

Key dates (updated)

The original timetable set out in 2024 has since been revised. In mid-2026, EU lawmakers agreed to push back some of the toughest deadlines to give businesses more time to prepare. Here is the timetable as it stands today:

Date	What happens
2 February 2025	Bans on the highest-risk uses of AI take effect. Staff must have a working understanding of the AI tools they use ("AI literacy").
2 August 2025	Rules for the makers of large general-purpose AI models (the underlying technology behind tools like chatbots) take effect.
2 August 2026	Transparency rules apply. If customers are talking to a chatbot, or looking at AI-generated content, you need to tell them.
2 December 2026	A new ban takes effect on AI tools that generate non-consensual intimate images or child abuse material.
2 December 2027	The "high-risk" rules apply. This is the one that matters most for small businesses using AI in recruitment, credit decisions or similar. (Originally due August 2026, now delayed by 16 months.)
2 August 2028	High-risk AI built into regulated products, such as medical devices or machinery, must comply.

What this means in practice

If you use a chatbot or AI customer service tool

From August 2026, you need to make it clear that customers are talking to AI, not a person. A simple line such as "you're chatting with our AI assistant" is usually enough.

If you use AI in recruitment or staff management

Tools that screen CVs, shortlist candidates, or monitor staff performance are treated as high-risk. The stricter rules for these now apply from December 2027, but it's worth understanding what's involved sooner rather than later, since the checks (testing, record-keeping, human oversight) take time to put in place properly.

If you use AI to write content or generate images

AI-generated content aimed at the public, such as marketing images or written articles, will need a clear label once the December 2026 rules bite. It's worth building the habit now.

If you simply use everyday AI tools

Using tools like AI writing assistants, transcription software, or scheduling tools for your own internal use carries a light touch. Your main duty is making sure you and your team understand what the tool can and can't do.

A note on fines

Fines under the Act are set as either a fixed amount or a percentage of global turnover, whichever is higher, for large companies.

For small and medium businesses (and small mid-sized companies), the rules work the other way around: you pay whichever figure is lower. This is a deliberate, proportionate approach designed not to put small firms out of business over a paperwork issue.

What doesn't the Act cover?

- AI used purely for national security or defence.
- AI used only for non-commercial scientific research.
- Personal, non-professional use, such as a hobbyist experimenting with AI at home.

Your next steps

- List every AI tool your business uses, including ones built into software you already pay for.
- Work out which risk category each one falls into.
- Add a simple AI disclosure to your website or chatbot ahead of the August 2026 deadline.
- Make sure you and your team understand the basics of the tools you use (this is a legal requirement, not just good practice).
- Keep half an eye on any tools used in recruitment or staff management ahead of December 2027.

How I can help

If you'd like a clear, no-jargon look at where your business stands, a Power Hour session is a focused way to get practical answers fast.

Get in touch via jobrianti.co.uk to find out more, or sign up to the All Sorted newsletter for regular, plain-English updates on data protection and AI.