JOURNAL ENTRY

AUTUMN 2021

A Climate of Change

Welcome to our latest digital edition of Journal Entry. This time our theme is around environmentally driven issues, the use of online solutions and digitisation.

With the COP26 conference taking place in Glasgow in November, the focus will be on how countries will meet their collective goals of securing global net zero by the middle of the century; adapting to protect communities and natural habitats; and mobilising finance – all through working together. Speeding up the switch to electric vehicles, encouraging investment in renewables and reducing emissions are all mentioned specifically in the COP26 agenda.

Many organisations are finding greener ways of working. From encouraging cycle to work schemes to extensive recycling and repurposing, electric pool vehicles to paperless offices, businesses are rising to the challenge of protecting our environment. The Scottish Government now includes two ministers from the Green Party, as part of the power-sharing agreement with the SNP, the first time representatives of the party have been appointed to government in the UK. Time will tell if their influence will deliver tangible environmental improvements to help tackle climate change.

ANDREW CROXFORD
Senior Partner

DAVID IS RETIRING

David Walker is set to retire on 30 November after 42 years with the firm. David joined Thomson Cooper in 1979 as a graduate and was admitted into Partnership in 1984. He was appointed as Managing Partner in November 2011.

During his career, David specialised in agriculture and was well known in farming circles having served as the Treasurer of the West Fife Agricultural Show for 25 years. He delivered many seminars on farm benchmarking and had a regular column in the agricultural section of the Dundee Courier. He also specialised in advising professional services firms, led the financial services department and had extensive experience as a Trustee of several charities.

David's goal was always to provide the best possible level of service and advice to clients. He championed good customer service and was pivotal in developing the firm's Business Development Programme. I am sure you will all join me in wishing David all the best for a long, happy and healthy retirement.

COMING TO A SCREEN NEAR YOU!

We are pleased to invite you to join us for our latest online events. We first tried the online format back in March and were delighted with the response. We will get back to physical events at some point but for now we will continue to host our events on Zoom.

First up is our Autumn Budget Briefing on Friday 29 October. With extensive financial support measures provided to help businesses and individuals throughout the pandemic, there is concern over how the government will finance this degree of debt. National Insurance has already been targeted, but what else might be in store? Join us and find out how you and your business could be affected by the changes that are announced.

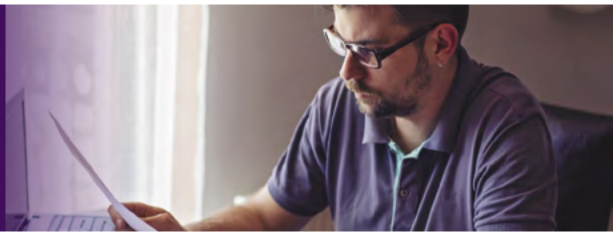
He's back! We are very excited to welcome Professor Paul McGee (the SUMO guy). Anyone who attended our last seminar with Paul will remember his advice on how changing your outlook could result in improvements in your life.

This time Paul is going to focus on how we can all 'Adapt and Thrive' going forward. Paul will deliver a unique development opportunity that promises to be insightful, inspiring and practical. Paul's approach uses humour and straight talking to enhance wellbeing, and will aim to help us feel energised and equipped for the year ahead.

This webinar is on Friday 5 November at 11am on Zoom.

Please visit our website **www.thomsoncooper.com** to register. There is no charge for either event.

RELIEF FOR HOMEWORKING



The Scottish Government has stated that "The 26th United Nations Conference of the Parties (COP26), to be held in Glasgow in 2021, will be a critical moment in the global fight against climate change". It's own commitment to reduce climate change is a policy of net zero carbon by 2045.

The long-term impact of COVID-19 is uncertain, but statistics suggest that there has been a shift to home working at least in some professions. The Office for National Statistics' research on homeworking found that 44% of Scotland's workforce were working from home in April 2021 compared to 4% in 2019. Furthermore, Transport Scotland found that 48% of people agree that they will work from home more often in the future.

The tax policies determining relief for homeworking are long established for both the employed and self-employed but there have been several changes for employees during the pandemic. In particular:

- Employers can pay, or employees can claim, a home working allowance of £6 per week or £26 per month tax and NI free.
- It is still acceptable for an employee to claim the full amount even if there is a mix of home and office working.
- There is no adjustment needed for part-time staff either.
- If not reimbursed by the employer, the employee can claim tax relief from HMRC (there is a new online homeworking claim service from HMRC to ease this process).
- There is no benefit in kind on using company equipment at home.
- If an employee buys their own equipment, they can currently be fully reimbursed as expenses tax and NI free until 5th April 2022.
- For a car benefit not to arise, the employee must return the keys for at least 30 days, so that the car is not available.
- The cost of Covid antigen tests is tax and NI free until 5th April 2022 if provided by the employer (not antibody tests to see if you have immunity).
- The lack of qualifying work journeys for the cycle to work scheme is ignored until 5th April 2022 as long as the employee was a scheme member on or before 20th December 2020.
- Lastly, office parties including Christmas parties can be held remotely but the exempt cost is still limited to £150 per head.

Future Government policy as regards homeworking is likely to be less generous and there will be more types of tax associated with the daily commute including the introduction of a workplace parking levy by the Scottish Government. If you need further information on this subject, please contact Scott Hallesy at **shallesy@thomsoncooper.com**

ESG INVESTING (ENVIRONMENTAL, SOCIAL AND GOVERNANCE)

Total global investments in ESG have hit $1trillion (£705bn) since the outbreak of Covid-19.[1]

Investors are increasingly applying these non-financial factors as part of their analysis to identify growth opportunities and to identify material risks.[2]

The outbreak of the pandemic seems to have reinforced the interconnectivity of our human system, together with hard hitting documentaries on the impact of climate change by David Attenborough and coverage of activists like Greta Thunberg. Investors are increasingly asking questions relating to what companies are in their investment portfolios and what sort of impact these companies are having from an environmental, social or governance perspective.

What is ESG investing?

The 'E' in ESG stands for Environmental themes such as pollution, deforestation, climate change and water management for example.

Social themes surround issues such as standards of labour, human rights and gender diversity within companies.

Finally, Governance relates to the running of the company, such as its board composition, executive pay structures, lobbying and political donation histories.

Investors will typically trust their pension fund managers to raise these important issues at shareholder meetings and to use their voting clout to curb perceived poor practice. This however does not always happen and some fund managers have better voting records than others.

However, investors are now able to access funds that are entirely focused on ESG themes. Such funds can avoid large polluters in favour of companies which are using new technologies to improve water quality or healthcare, etc.

Is there a danger of avoiding 'sin' sectors when choosing investments?

The choice of screening out polluting companies can be emotive.

There is a risk that denying these companies investment will create even worse behaviour and lower standards.

Furthermore, it can be argued that companies will require capital from our pension funds for instance, to help them transition.

How do I go about investing in ESG?

It is important to be aware that there is no standard approach for measuring the ESG metrics. With this in mind, any investor interested in exploring the credentials of their own investment should find out what is the ESG policy of their funds. They should ask their pension fund provider regarding their voting record and how ESG is integrated into their processes. If they find that the responses do not fit with their own views, then they should ask regarding ESG themed funds or seek professional advice. If you need further information, please contact Bruce Hendry at **bhendry@thomsoncooper.com**

Source:

1. Morningstar, Feb 2021
2. CFA Institute, September 2021

Accounting Software for a Greener Environment

We all try to do our bit to help the environment, whether it's simply recycling household waste or fitting solar panels to heat our homes.

But what can be done to help the environment within businesses?

Every business needs to keep accounting records. Online accounting software not only makes it easier to comply with current regulations, but it can also help to reduce the carbon footprint.

Compare these two examples for undertaking work and producing sales invoices.

Not only is the use of online software cleaner for the environment, but the customer receives his invoice faster, when the service is fresher in his mind and is therefore more likely to pay at an earlier date.

Add to this the advantages of:

- Accessing software from any location with access to wifi;
- The ability to download bank transactions directly from your bank;
- The ability to scan receipts/purchase invoices directly into your accounting system.

Why would you not consider using it in your business? If you are interested in learning more about online accounting software and its advantages, please contact Elaine Cromwell at **ecromwell@thomsoncooper.com**

RISE OF FINANCIAL TECHNOLOGY

It is a well-used example of the exponential rise in computing power – the smart phone in your pocket has more computing power than all of NASA back in 1969 when it placed two astronauts on the moon.[1]

The rise of computing power has spread across many sectors of society, including how customers engage with financial services. Over the last few years, we have seen the demise of the high street bank to be replaced with increasing use of online banking and cashless transactions.

In the financial services sector change has been evident with an evolution of online platforms allowing investors to view their pension and investments in personalised apps. This is a welcome development away from a once paper intense sector.

The recent pandemic ushered in the use of virtual meetings, using apps such as MS Teams and Zoom. Many companies and individuals were adopting these virtual technologies at their own pace and the pandemic has accelerated the shift.

The forced lockdown quickly led to the adoption of online meetings and group calls, allowing us to continue to work and connect from the comfort of our own living rooms.

Now it seems that the virtual meeting is here to stay, allowing firms and individuals more flexibility in their daily working patterns.

So how have the large institutions coped with the changes? Largely pretty well! During the pandemic, large insurance and pension companies realised that paper application forms were perhaps not the most efficient way to transact business. There followed a shift towards paper-less applications, digital signatures and more emphasis on digital correspondence. Application forms and associated information packs are increasingly being supplied in digital formats such as pdf documents, allowing the process to be enhanced for the customer.

Many of these larger companies now run investment platforms, which allow the adviser and the consumer a greater deal of flexibility and a broader investment universe.

Investment platforms were a challenger to the insurance and pension company model back on the 1990s and are here to stay, with over 21 such platforms in the UK today.

Technology challengers are also working their ways into areas such as life assurance and will writing. For instance, Farewill is an online will writing service which also deals with applications for probate and arranging funerals. This kind of challenge to established models certainly will appeal to those who wish for a straightforward and streamlined process.

TC Wealth Management are also adopting the evolution of technologies within our customer journeys, from online meetings to digital research and analysis. We believe that such technologies help streamline our services to our clients but we also believe there is nothing that can replace the value of a face to face interaction. If you need further information, please contact Bruce Hendry at **bhendry@thomsoncooper.com**

Source:

1. Michio Kaku, the Atlantic July 2019

Tax Friendly Green Innovation & Investment

Without innovation, it will be very difficult and costly to address major environmental issues such as climate change.

What tax incentives are there for businesses to encourage them to invest in green technology?

Research and Development (R&D)

If your company is engaged in a project that seeks to achieve an advance in science or technology e.g. introducing an environmentally friendly process to your production, then you may be carrying out Research and Development.

You will then be able to obtain a valuable tax incentive for the expenditure incurred on these projects.

To qualify for R&D you will need to satisfy the following requirements:

- There has to be an intention to achieve an advance in science or technology.
- The project has to have an issue that has to be resolved.
- The project must relate to the company's trade, either an existing trade or one that the company intends to undertake.
- The issue to be resolved has to be one that can not easily be overcome by a competent professional working in that field.

- The project can still be an advance if it has been developed by another company but isn't publicly known or available.
- The company will have to explain the uncertainties around the project and how they sought to resolve these and how advancement has been achieved.

You don't have to have a successful project to be able to claim R&D. You don't have to have a brand new product or process at the end as not every project will be successful. Projects that have been unsuccessful may still qualify.

The relief for a Small/Medium Enterprise (SME) is currently 230% i.e. for every £1,000 of qualifying expenditure incurred the company will receive an additional £1,300 deduction against taxable profits.

If the company is loss making, they can surrender the loss for a repayable tax credit which is currently 14.5% of the loss.

The loss which can be surrendered is the lower of the actual loss arising in the period or 230% of the qualifying expenditure.

For example, if the company has a trading loss of £500,000 and had qualifying R&D expenditure of £200,000, the loss which can be surrendered is the lower of £500,000 and £200,000 x 230% = £460,000. The company would be able to obtain a repayment of £460,000 x 14.5% = £66,700.

Alternatively, the loss can be carried forward and offset against future profits which may be more attractive now that the rates for corporation tax are set to increase to 25% from April 2023.

The repayable tax credit is subject to a cap from 1 April 2021. The cap will be three times the company's total PAYE and NIC liability for that year.

Care also needs to be taken where the claimant company's R&D activity is subsidised by their customer. If this is the case you may not be able to claim under the SME scheme and only be able to claim under R&D expenditure credit which is less generous.

If you require any further information on this issue, please contact Lynn Dyer at **ldyer@thomsoncooper.com**

CAPITAL ALLOWANCES – SUPER DEDUCTION

Another valuable incentive to encourage businesses to invest in purchasing new assets that are environmentally friendly is the new super deduction for capital allowances.

Companies investing in qualifying new plant and machinery between 1 April 2021 and 31 March 2023 will be able to claim a 130% super deduction or a 50% first year allowance for qualifying special rate assets. In order to qualify for the super deduction, the assets purchased must be new and not second hand.

A company cannot claim Annual Investment Allowance (AIA) and a super deduction on the same qualifying asset. Therefore, companies will need to consider what allowances they wish to claim, with preference to the super deduction over AIA on qualifying assets. Note, however, that the AIA will drop back to £200,000 from 1 January 2022 and there is a clawback of the super deduction if these assets are sold before 31 March 2023.

Cars do not qualify for the super deduction but may qualify for 100% first year allowances if this is a new and unused car and Co2 emissions are 0g/km or the car is electric.

We look forward to the Autumn statement on October 27 to see if the Chancellor will announce any new tax incentives ahead of the COP26 summit in Glasgow.

If you require any further information on this issue, please contact Lynn Dyer at **ldyer@thomsoncooper.com**

BOUNCE BACK LOANS – POTENTIAL MISUSE?

While substituting physical appointments with online alternatives can have a positive environmental benefit (in terms of reducing traveling and paperwork), services that rely purely on online submission can create risks. This is especially true with funding applications where there is no face-to-face advisor asking questions or verifying information.

Take the Bounce Back Loan (BBL) scheme. Whilst it is expected that most of these loans will have been accessed and utilised correctly, it is anticipated that the commencement of repayments may lead to an increase in directors and debtors reassessing the position of their businesses and considering formal insolvency, some as a way of avoiding repayment.

Under the BBL scheme small businesses could borrow a sum equivalent to up to 25 per cent of turnover, capped at £50,000 per business.

The Government covered the first year of interest payments, meaning that the business would have to repay the rest of the loan. Interest was fixed at 2.5% per annum. The BBL must be repaid, it is not a grant.

Because the BBL is an unsecured debt, it meant that accredited lenders including the high-street banks could not ask you for a personal guarantee.

The lender cannot pursue the director personally if the company defaults.

The majority of these loans were taken out in good faith, as a means to help sustain a business throughout the pandemic, with business owners having every intention of repaying them. However, Insolvency Practitioners have been advised by the Insolvency Service that they must investigate all government funding taken through the COVID-19 pandemic and consider if they were taken and used for the correct purpose. It is suspected that there will be a level of abuse of the funding.

Some indicators of potential BBL abuse may include:

- Failure to disclose a BBL in the statement of affairs.
- Funds not being used for the benefit of the business.
- Where there was no intention after receipt of the BBL to carry on trading or make an attempt to repay.
- Businesses not trading in the UK or resident for UK tax.
- Businesses not trading as of 1 March 2020.
- Sole traders falsely declaring start date of trading.
- Multiple applications to different lenders for a BBL (N.B. Companies could apply for other Covid support loans such as a Coronavirus Business Interruption loan (CBIL) but had to use those funds in part to repay the BBL).
- Applications close to, or after, insolvency event, including post-petition or post liquidation.

Where identified by Insolvency practitioners, the Insolvency Service will review conduct concerns for potential disqualification and bankruptcy restriction action and, where appropriate, refer to the relevant prosecution authority.

If you or your business is struggling with problem debt or to repay a BBL, please remember we are always here to help and provide the best advice for your circumstances. Contact Richard Gardiner at **rgardiner@thomsoncooper.com** for further information.

Reduce expenditure and help save the planet!

We all like to save money. As money advisers part of our role is to suggest ways that clients may be able to increase their income or reduce their expenditure. As we all become more environmentally aware, how can we save money and help to save the planet without breaking the bank? Here are a few suggestions:

• Switch to green energy

One of the first things to look at could be how much you are spending on utilities. Green energy companies, which use wind, solar and other renewable energy, may offer competitive deals. Given the recent rise in energy prices it is currently difficult to quantify what the saving may be, however these companies may be worth investigating for a cheaper deal.

• Change your light bulbs

Energy- saving LED bulbs still cost more than traditional ones but they last two or three times as long and cut your bills. You can swap your old lightbulbs for 7W LED bulbs which emit the same light as a 60W traditional bulb, for around £3 each. The Energy Saving Trust estimates you will then save around £2 per bulb per year because they need changing less frequently, plus at least £35 per year off your electricity bill.

• Use the eco cycle option – swap 40 for 30

Your washing machine will clean just as effectively on a 20°c or 30°c cycle but it will save you around £10 per year, according to green energy supplier Ovo. And Consumer website Topten.eu says most normal washing can be effectively cleaned at 20°c as long as any stains are pre-treated and the washing is allowed to dry thoroughly, preferably outside. Remember to run an occasional hot wash to kill any bacteria.

Yearly saving: £10
(swapping 40°c for 30°c)

These are just a few of the many ways in which you can save money and help the environment. Websites like **www.smallfootprintfamily.com** also have many great suggestions or you can review your ecological footprint at **www.footprintcalculator.org**

At Thomson Cooper all important documents are scanned and saved electronically, reducing paper consumption and saving money. We repurpose old computers, monitors and office equipment and donate these to charitable organisations, and plastic waste is separated and recycled wherever possible.

Best of both worlds or out of range – do the numbers stack up for Hybrid & Electric Cars?

To aide in the swing towards hybrid and electric vehicles, the Benefit in Kind (BIK) rates for employees with these vehicles are more attractive now, in comparison to petrol and diesel cars.

In the current tax year, fully electric vehicles have a BIK rate of 1%, and will increase to 2% in the 2022/23 tax year, remaining at that rate in 2023/24 and 2024/25.

For hybrid vehicles, the number of miles that can be travelled on the electric range of the vehicle determines the rate of the benefit of the car. For all non-electric/hybrid vehicles, the BIK rate is still based on CO2 emissions. The BIK for a vehicle is based on the list price of the car (including any optional extras/upgrades) and not what you paid for the vehicle.

http://www.gov.uk/guidance/company-car-benefit-the-appropriate-percentage-480-appendix-2

Charging Points

There is no taxable benefit in kind to employees for charging their vehicle at an electric charging point at work. This applies for both business and personal mileage. However, if a charging point is provided by the employer at an employee's home, then a taxable benefit does arise based on the cost to the employer for providing this.

Capital Allowances on Cars

For new and unused cars bought from 6 April 2021 that are fully electric, you can claim the full cost of the vehicle as a First Year Allowance. For example if the vehicle cost £50,000, the £50,000 would be deducted from your taxable profit. It should be noted that the First Year Allowance is separate to the Annual Investment Allowance - therefore, the Annual Investment Allowance is still available for tax relief over and above the First Year Allowance.

For non-electric cars, the capital allowance rate is based on CO2 emissions - so if you are considering a hybrid vehicle it is worth checking the CO2 emissions rate on the car to see what allowances would be available. The rate of writing down allowances applicable to a car are either 18% or 6%. The 18% and 6% rate also applies to all second hand vehicles.

An example of how an electric car compares to a hybrid.

As the rules change and electric and hybrid cars become more commonplace in the market, it is worth considering the potential benefits of these within business. If you need further information on this subject, please contact Scott Hallesy at **shallesy@thomsoncooper.com**

electric

Tesla Model 3
list price of £40,990
(deductible from your taxable profit)
BIK cost to employer 21/22 tax year = £56
(£40,990 x 1% x 13.8%)
Taxable benefit to employee = £409
(£40,990 x 1%) at their personal tax rate
This would double in 22/23 tax year, remaining the same for the following two years after that.

hybrid

BMW 520i
list price of £42,775
(deductible from your taxable profit)
BIK cost to employer 21/22 tax year = £1,888
(£42,775 x 32% x 13.8%)
Taxable benefit to employee = £13,688
(£42,775 x32%) at their personal tax rate
The capital allowances available would only be at 6% on the reducing balance of the car each year – so the first year allowance would be £2,566
(£42,775 x 6%).

AND FINALLY

"We are at a unique stage in our history. Never before have we had such an awareness of what we are doing to the planet, and never before have we had the power to do something about that. Surely we all have a responsibility to care for our Blue Planet. The future of humanity and indeed, all life on earth, now depends on us."

DAVID ATTENBOROUGH

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