JOURNALENTRY

Summer 2023

HAPPY ANNIVERSARY AT CARNEGIE CAMPUS

As the saying goes, "Time flies when you're having fun".

It has certainly felt like that over the past 20 years that we have been located at Carnegie Campus. The business has undergone significant growth during that time but I can remember the excitement of the move like it was yesterday.

We were bursting at the seams at our old premises in Viewfield Terrace and the re-location signified a new era for the firm.

Dream Team

Our growth over the last 20 years has been carefully considered, with maintaining our ability to deliver a quality service at the forefront of each decision. We have expanded to take advantage of new technology and the increasing needs of our client base. We have chosen experienced professionals to help lead, inspire and mentor each department. We now offer more routes into employment including modern and graduate apprenticeships and trainee positions.

First and Foremost

In 2008, we won 'Best Medium Firm' at the inaugural Scottish Accountancy Awards. This was to be the first in a series of industry award wins recognising our contribution to the business community.

Our caring staff have raised thousands of pounds over the years for a wide range of charities including Cash for Kids, The Samaritans and latterly, Marie Curie.

We have also welcomed thousands of guests to our Business Development Programme events. These have included our Budget Briefings and training on areas like Making Tax Digital. Even Covid-19 didn't stop us. We went digital and hosted our events online.

The Future

New technology will help us deliver improved integration and greater insight. However, despite increasing automation and AI, we still believe accountants will play a key role in business planning in the future. This issue is covered later in this newsletter.

What will be our focus for the next 20 years? Our primary aim is to continue providing a first-rate service to clients. We will continue to embrace technology to improve our services, look for opportunities for growth and make a positive contribution to our local communities.

If you would like help planning the future of your business, get in touch with the partner who deals with your affairs or email me at **acroxford@thomsoncooper.com**

ANDREW CROXFORD
Senior Partner

Changing Times

The world of work continues to evolve. It is important that businesses are receptive to change which can deliver both economic and well-being benefits. With this in mind, we are altering our office hours.

Every Friday in July our offices will close at 4pm, and from Friday 4th August we will close on a Friday at 3pm. The offices will continue to be open until 5pm Monday to Thursday and will now open at 8.45am each morning. These changes will allow us to better meet the needs of our clients, as well as offer flexibility to our staff.

Bowling Boost for Marie Curie

We are delighted to announce that we raised a magnificent £7,155.19 for our Charity of the Year Marie Curie at our recent ten pin bowling event held at Hollywood Bowl in Dunfermline.

We had 22 teams take on the 'Battle of the Balls' challenge, fighting it out for the 'Best Team' and 'Best Individual' titles.

The highest scoring team were Sephra Europe Limited and the highest scoring player was Will Burns from Shand and Burns Financial Ltd.

Our guests had the opportunity to win some awesome prizes in the raffle and the chance to bid on some luxury experiences. The team from the Cress Company Limited hosted a bake sale at their premises and raised almost £1000 to add to the total. Our staff also got involved with their own raffle and auction too.

Charlotte Gilbert, Community Fundraiser at Marie Curie UK, commented, **"We had so much fun bowling and everyone showed a tremendous amount of support throughout the night. Thank you to everyone who donated and supported Thomson Cooper. They have fundraised the equivalent of 350 hours of community nursing care for those with a terminal Illness. On behalf of Marie Curie, thank you so much."**

Marie Curie provide care and support for people living with any terminal illness, and their families and last year they cared for over 40,000 people across the UK. The monies we raised will be spent in Scotland helping families here.

We were very grateful for the tremendous selection of prizes and experiences donated by many generous businesses within our client and networking circles which enabled us to hold both raffles and auctions so everyone could get involved.

TAX RELIEF FOR HOMEWORKERS – THE POST-COVID POSITION

With hybrid working more common than ever, the tax deductions allowed by HMRC in relation to expenses for directors/employees who work from home seem miserly, not least in light of the increasing cost of energy. HMRC significantly relaxed the rules for the 2020/21 and 2021/22 tax years for such a claim (of £6 per week, or £312 for the year) and allowed this even where a negligible amount of time had been spent working from home as a result of Covid. With such relaxation now withdrawn, where are we left with regards what can be claimed?

The £6 per week amount remains available for directors/employees who work some or all the time from home. However, the eligibility criteria means that this relief is not available to those who choose to work from home i.e. where their contract of employment allows it and the employer agrees to it. There must be "homeworking arrangements" which is, broadly, a formal, contractual agreement for the employee to regularly perform some or all of their duties at home. Where this applies the payment must be an employer reimbursement (i.e. there is no scope for an employee to claim a deduction from their employment income).

Otherwise, in terms of a director/employee claiming relief, working from home must be a result of there being no appropriate facilities available on the employer's premises which, for most cases, would seem unlikely.

The £6 per week amount is that which HMRC will accept without the requirement for any evidentiary documentation. Greater amounts can be paid where it can be demonstrated that the actual additional household costs incurred as a result of working from home were more. The costs are restricted to covering the cost of additional heating and lighting.

Alternative route to relief?

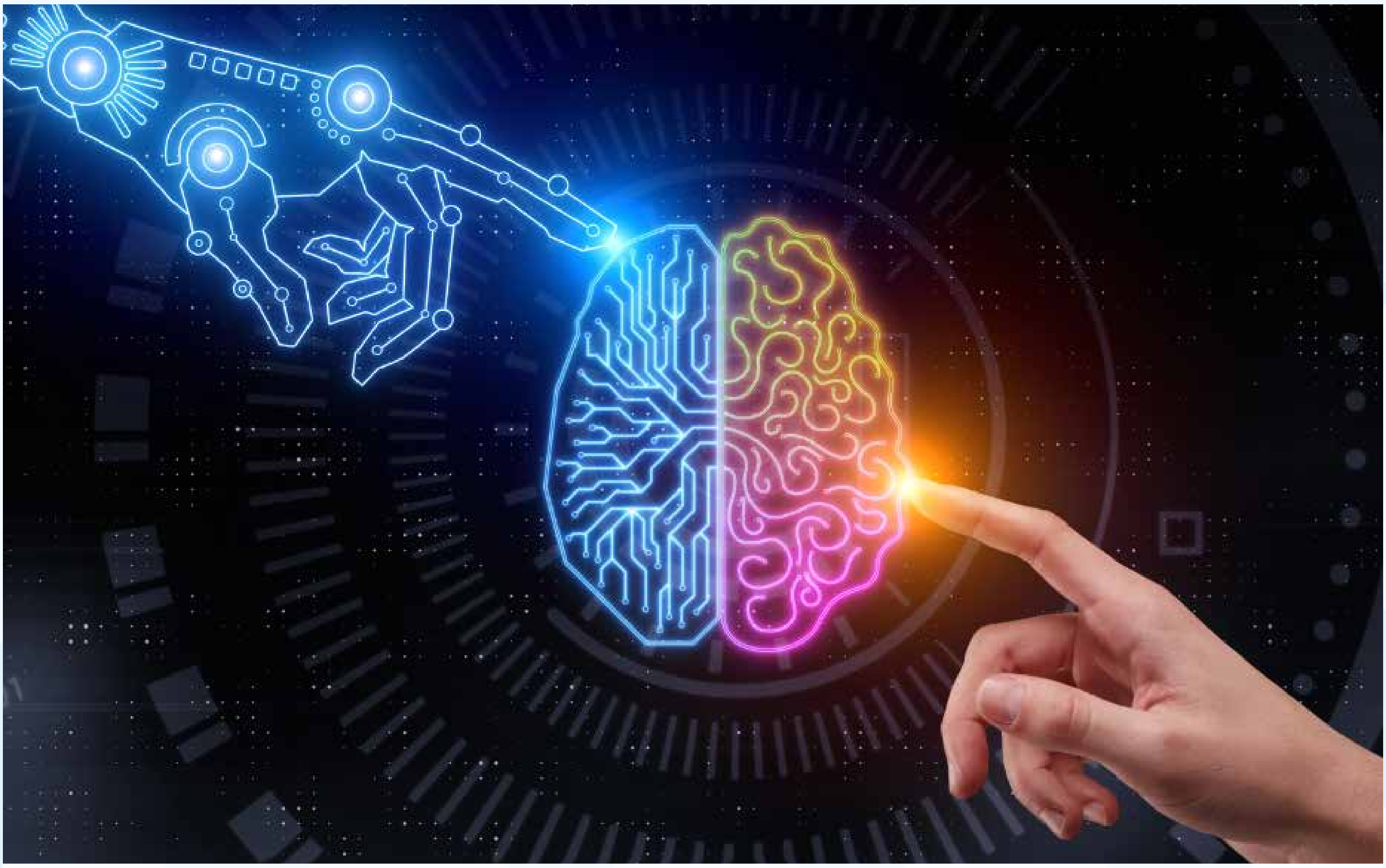
An alternative is available, although in practice likely only to be suitable for directors or senior employees. This is where the director (or employee) charges their employer rent for use of that part of their home that they use for work purposes. A rental payment received does represent taxable income in the hands of the director/employee and should be reported as such in their Self-Assessment tax return. This may however be reduced by a proportional amount of household expenses that can reasonably be attributable to that part of the home. As the rules for tax deductions from rental income are significantly less restrictive that those for employment income it is possible to include a proportion of other household cost other than energy (e.g. rental/mortgage interest, council tax etc).

A fairly scientific approach to quantifying such an amount should be used – one that factors in floor space/number of rooms and the amount of time generally spent working there.

There are some practical issues. An arrangement should be negotiated under a license or rental agreement between the individual and company, and consent may be required from the landlord or mortgage provider.

Any agreement drawn up should stipulate that company use of the part of the home is not exclusive i.e. the part of the home should be used for both business and non-business purposes. The legislation restricts Principal Private Residence (PPR) relief for any part of a residential property that was used exclusively for the purposes of a trade or business. HMRC are not mindful to restrict this valuable relief where it can be seen there has been some measure of regular residential use. Potentially a good excuse to install that home cinema for evening use in order to negotiate the tax rules.

If you have any queries in relation to any of these issues, please contact Senior Tax Manager Keith Hunter at **khunter@thomsoncooper.com**



Time for a chat... AI AUTOMATION?

Artificial Intelligence seems to be the real buzz words of late; it seems that almost every news article has been covering the topic. Most of the hyperbole is around the impact AI will have on our industries and the careers of the future, so what does it mean for the accounting industry and the services your accountant will be offering?

At Thomson Cooper we are already embracing AI to help deliver efficient and cost-effective services to our clients. We use AI software such as Dext, QuickBooks Receipt Capture and Xero Bills Inbox which have already improved accuracy and efficiency in the record keeping. Now looking ahead 20 years into the future, what will AI's impact be on the accountancy industry and the services an accountant will offer or will AI replace the accountant entirely?

Although AI is going to be an extremely useful tool in the future there are some considerations that need to be taken into account when comparing a human to a sophisticated algorithm.

1. **Complex financial decision-making:** Accounting involves complex judgment and decision-making that require human expertise. While AI can assist with data analysis, it may not possess the ability to fully understand the intricacies, context, and nuances required for complex financial decision-making.
2. **Relationship management:** Accountants often have direct interactions with clients to understand their financial goals, provide personalised advice, and address specific concerns. Building and maintaining client relationships, understanding unique business needs, and providing tailored solutions are areas where human accountants excel.
3. **Strategic advisory role:** Accountants provide strategic advice and insights beyond number-crunching. They help clients navigate financial challenges, identify growth opportunities, and make informed decisions based on a deep understanding of the business context. This strategic advisory role requires human judgment, critical thinking and business acumen.
4. **Ethical considerations:** Accountants are bound by professional ethics and codes of conduct. Upholding these ethical standards requires human judgment, accountability and an understanding of broader societal implications. AI systems may lack the ability to make nuanced ethical decisions.
5. **Adaptability to regulatory changes:** The accounting profession is subject to evolving regulations and standards. Accountants play a crucial role in interpreting complex guidelines, ensuring compliance and adapting to new challenges. They have the ability to understand the broader implications of regulatory changes and adjust accounting practices accordingly.

Yes, accountants are expected to be needed in 20 years' time, despite the advancements in AI and automation. Here are some reasons why:

While AI and automation can streamline certain tasks and processes in accounting, they are unlikely to replace the need for human accountants completely. Instead, accountants will need to adapt to the changing landscape by acquiring new skills, embracing technological advancements, and focusing on areas that require human judgment, client interaction, and strategic thinking. The role of accountants is likely to evolve rather than disappear entirely.

In the meantime if you would like to know more about the automation apps mentioned above please contact Outsourced Finance Manager Arran Anders at **aanders@thomsoncooper.com**

To prove the capabilities of artificial intelligence a large portion of this article was written by Chatgpt

20 YEARS IN TERMS OF WEALTH

2023 marks 20 years at Carnegie Campus, which has naturally focused attention on events of the last 20 years. So what did the world look like in 2003?

The year 2003 brought us events such as the Antwerp diamond heist, where loot of over $100m was raided from a vault in Belgium, the human genome project was completed, the world's first cloned horse was born, the oldest known exoplanet in the galaxy was discovered and snappily named PSR B1620-26b. Other noteworthy events in 2003 were the end of the 73 year long use of the name Yugoslavia, the space shuttle Columbia disaster and 'bingewatch' and 'unfriend' entered the English lexicon.

2003 also brought a heatwave in Europe, and our neighbours experienced the hottest summer in five centuries. Investors in the FSTE100 (the footsie) had a frostier time in 2003, where the UK's flagship index fell to its record low of 3287 in March 2003 on news on the Iraq war. This was on top of the largest single-year decline in 2002 where it fell by more than 20% on the back of the dot com tech bubble burst.

The FTSE100 was created in 1984 and represents the largest 100 companies by market capitalisation, listed on the London Stock Exchange. It's also a popular benchmark used by UK based investors when comparing performance of an investment and is usually mentioned at the end of UK news reports, so its fate is of some importance.

Given its importance in the UK domestic market, it's interesting to note that many companies (approximately 75%) listed on the FTSE100 make their earnings overseas.

So, back to 2003 and that new market low. What should an investor do in such downturns? Certainly, those with little appetite for investment risk, or short-term objectives would have been tempted to move into 'safer' assets such as cash, gilts or even gold. However, the patient investor with a longer-term horizon would have been rewarded for sitting tight. By the end of 2003, the footsie had risen 18% from its March low. Fast forward to 2023 and the Total Shareholder Return for the FTSE100 over the past 20 years was a whopping 278.89%!

As shown above, the footsie is volatile and fluctuates daily, as market participants weigh up the fortunes of the constituent companies, against a variety of economic and political scenarios. It is also only one of a few indices and investment themes available to the investor. Although past performance is no indication of future returns, it certainly pays to be patient and to filter the daily noise.

Of course, professional advice should always be sought. For more information, contact Chartered Financial Planner Richard Libberton at **rlibberton@thomsoncooper.com**

20 years of DAS

The Debt Arrangement Scheme in Scotland: 20 Years of Empowering Debtors

Scotland's Debt Arrangement Scheme (DAS), created by the Scottish Government, has been a transformative initiative for debtors over the past 20 years. By offering a structured approach to debt repayment, the DAS has empowered individuals burdened with overwhelming debt to regain control of their financial situations. Debtors can consolidate their debts into a single monthly payment based on their affordability, ensuring they can cover living expenses while working towards reducing their debt burden. The scheme also provides legal protection against creditors' actions, preventing the accumulation of interest and charges on included debts. This protection gives debtors breathing space and relief from constant legal threats.

The success of the DAS can be attributed to its well-established infrastructure. Approved Money Advisers (AMAs) guide debtors through the process, evaluate their financial situations, and negotiate with creditors on their behalf. The DAS Administrator oversees the scheme's operation, ensuring fair distribution of payments to creditors and compliance with regulations.

The DAS focuses on sustainable debt repayment, striking a balance between debtors' and creditors' interests. Debtors committed to the scheme can expect to repay their debts in full, albeit over an extended period. By avoiding debt write-offs, the DAS promotes financial accountability and encourages debtors to gradually regain their financial independence.

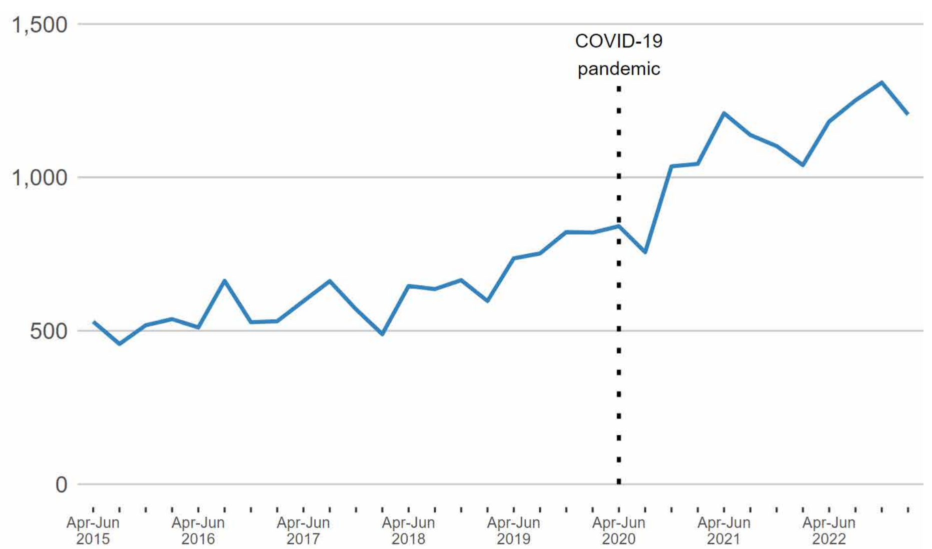
The positive impact of the DAS on debtors' lives is significant. It offers an alternative to bankruptcy or sequestration, protecting their assets and reducing the negative consequences associated with insolvency. The scheme provides peace of mind, allowing debtors to regain control and improve their overall well-being and mental health. Successful completion of the DAS also enables debtors to quickly restore their credit scores, opening doors to future financial opportunities and rebuilding their lives on a more stable foundation.

The statistics highlight the effectiveness of the DAS, with an increasing number of approved Debt Payment Programmes (DPPs) since 2019-20. Over £200 million of debt has been repaid since the regulations were reformed in 2011.

The Debt Arrangement Scheme in Scotland has provided a lifeline for individuals struggling with debt. By offering a structured framework for debt repayment, the DAS has empowered debtors to take charge of their finances, repay their debts, and avoid write-offs. The scheme demonstrates Scotland's commitment to supporting individuals on their path toward financial stability and long-term debt relief.

Contact Senior Insolvency Manager Ian Brown at **ibrown@thomsoncooper.com** if you require more information about personal debt solutions.

Approved DPPs under the DAS: April-June 2015 to January-March 2023



Structures & Buildings Allowances (SBAs)

- Can you claim?

When constructing property there are capital allowances that can be claimed on certain expenditure if you are carrying on a qualifying trade and certain conditions are met.

Back in 2003, businesses could claim Industrial Buildings Allowance on certain buildings, but this was abolished in 2011. In the October 2018 Budget, the government introduced a new allowance, Structures & Buildings Allowance similar in principle to the old Industrial Buildings Allowance.

This applies to all new contracts entered into on or after 29 October 2018 where a building is used for a qualifying activity i.e., if it is used in a trade, profession or vocation. Structures and buildings include office, retail and wholesale premises; factories and warehouses; and even walls, bridges and tunnels. Note that residential property is excluded. The allowance can be claimed on the enhancement of existing commercial buildings and structures, for example where any extension has been made to any office or factory.

The initial allowance was 2% per annum of the cost of construction which increased to 3% from 1 April 2020. The allowance can be claimed in the year that the building is first brought into use.

Sounds simple but certain expenditure is excluded. The actual purchase price of the land, including legal fees on purchase and LBTT (stamp duty) are excluded. Costs seeking planning permission are also excluded. If land is bought in a derelict state, the costs for remediating the land would also be excluded but Land Remediation Relief may be available if this is qualifying expenditure. Land Remediation Relief would be available for the remediation of contaminated land, removal of asbestos or Japanese Knotweed for example.

Once you have established all allowable costs of construction and ineligible expenditure the structures and building allowances that can be claimed would be calculated as follows:-

Construction Cost	£5,000,000
Less: Ineligible expenditure	£1,000,000
Qualifying SBA	£4,000,000
3% annual writing down allowance	£120,000
Corporation tax saving at 25% per annum*	£30,000

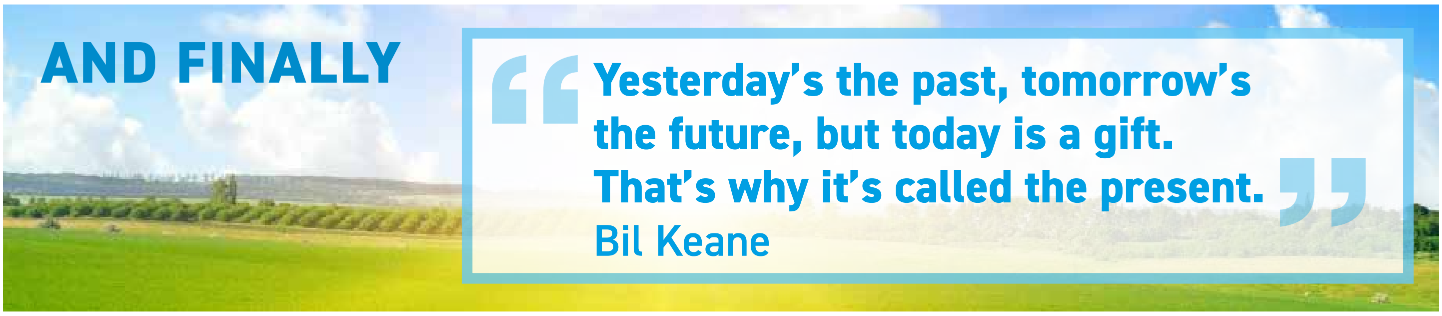
**assuming company is paying full rate of corporation tax*

If the property is sold the new owner will be entitled to claim the writing down allowance of £120,000 per annum for the remaining term, or until sold. The seller will need to provide the purchaser with a statement detailing the date the property was first brought into use and the amount of qualifying SBA expenditure and allowances claimed to date.

In the above example, if the seller sold the property after 5 years they would have claimed allowances totalling £600,000. This £600,000 is added to the sale proceeds for capital gains tax purposes. The tax savings made to date are therefore repaid if the property is sold and the tax relief becomes essentially a cash flow benefit. However, many industrial properties are sold at a loss and therefore claiming SBAs gives the benefit of a revenue deduction now with a reduced capital loss in the future.

If you have purchased a new property which was constructed after October 2018, please get in touch and we can advise whether you can claim SBAs.

Contact Corporate Tax Manager Fiona Mitchell at **fmitchell@thomsoncooper.com** if you require further details on this issue.



AND FINALLY

> **"Yesterday's the past, tomorrow's the future, but today is a gift. That's why it's called the present."**
> Bil Keane

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