JOURNAL ENTRY

Autumn 2025

MAY YOUR BALANCE SHEETS BE MORE **TREAT** THAN **TRICK!**

Welcome to the latest edition of Journal Entry, this time with a Halloween theme. We have a variety of spooktacular articles including a look at the ghosts of tax allowances past and how some schemes may come back to haunt you. We share tricks for investing for children and how to escape any debt demons.

The real suspense for Scottish businesses this Halloween is the upcoming UK Autumn Budget that approaches under a cloak of economic uncertainty. Inflation may be easing, but the spectre of higher tax rates continues to haunt investment and growth. Will Chancellor Rachel Reeves conjure up support for struggling sectors, or will she tighten the purse strings in the name of fiscal discipline? Energy costs, wage pressures, and supply chain snarls remain persistent poltergeists in the business landscape. And for those in hospitality and retail industries battered by the cost-of-living crisis and changes to minimum wage legislation, the stakes are particularly high.

But it's not all doom and gloom. Employment trends in Scotland are outpacing other parts of the UK, especially in services and tech, offering a welcome boost to household confidence and spending. There's also cautious optimism that the Treasury may unveil incentives to boost regional investment, potentially unlocking new opportunities for growth. Whatever transpires from Westminster's upcoming fiscal announcements, we'll have it covered at our annual Budget Analysis events. We hope you can join us.

ALAN MITCHELL
Managing Partner

ABSEIL SUCCESS

Our extended TC Team had a wonderful time on Sunday 28th September at South Queensferry taking on the Forth Rail Bridge abseil challenge in aid of our Charity of the Year Alzheimer Scotland.

It was a beautiful sunny day and they had so much fun while raising an incredible £2.5k (and counting). Thanks to the Mitchell family for their extra fundraising. We really appreciate the support we received and for all the contributions.

2025 Budget Events

Join us at our free Budget & Beyond Economic Update and Networking events in Edinburgh on Thursday 27 November and Dunfermline on Friday 28 November.

Both events are **FREE** to attend, offering valuable insights for your business, as well as excellent networking opportunities. Booking is essential. Visit **www.thomsoncooper.com**

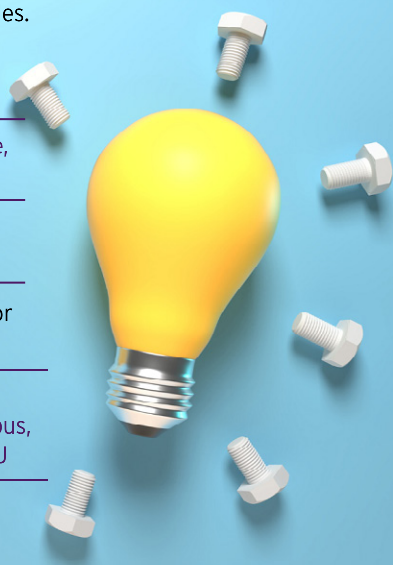
The 2025 Budget will take place on Wednesday 26 November and will be the second Budget under the Labour Government. Speculation is mounting on what Chancellor of the Exchequer, Rachel Reeves will target to address the projected fiscal shortfall. Join our Thomson Cooper speakers for a summary of the Budget announcement, with changes explained using practical examples.

In Edinburgh we will be joined by Sebastian Burnside, Group Chief Economist with the NatWest Group.

Thursday 27 November	DoubleTree by Hilton Edinburgh City Centre, 34 Bread Street, Edinburgh EH3 9AF
16.00 - 16.30 16.30 - 18.15	Networking and refreshments Presentation

In Dunfermline we will be joined by Iain Duff, Deputy Agent for Scotland at the Bank of England.

Friday 28 November	The new Carnegie Conference and Events Centre (CCEC), Dunfermline Learning Campus, Calaiswood Crescent, Dunfermline, KY11 8SJ
11.00 - 11.30 11.30 - 13.15 13.15 - 13.45	Networking and refreshments Presentation Lunch



GHOSTS OF TAX ALLOWANCES PAST:

What's Disappeared in 2025?

It's not just ghouls and ghosts that are haunting taxpayers this year. The 2025 tax landscape is filled with the spectres of allowances past – those generous tax-free thresholds that have been whittled away, leaving many individuals facing unexpected tax bills. If you have not reviewed your tax position recently, now is the time to beware: the reduction in key allowances could come back to haunt you.

The Vanishing Dividend Allowance

Once a generous £5,000, the dividend allowance has been steadily shrinking, and from April 2024 it stands at a mere £500. This means that only the first £500 of dividend income is tax-free; any dividends above this threshold are now subject to income tax at the appropriate dividend rates. This can be 8.75%, 33.75% or 39.35% depending on other income. Without careful planning, even modest portfolios can generate tax liabilities that were previously avoided.

The Shrinking Capital Gains Tax Exemption

The annual exempt amount for capital gains tax (CGT) has also been subject to a relentless cull. From April 2024, the exemption is just £3,000 for individuals, down from £6,000 the previous year and £12,300 only a few years ago. This means that gains above £3,000 in a tax year are now taxable, and with the main CGT rates for most assets rising to 18% and 24% from 30 October 2024, the tax bite is sharper than ever.

For those selling shares, second homes, or other investments, the days when a sizeable gain could be realised tax-free are gone. The reduction in the exemption means that more people will need to report and pay CGT, even on relatively modest disposals. The risk is particularly acute for those who have not previously needed to complete a tax return, as failing to report gains above the new threshold could result in penalties and interest.

The Perils of Inaction

The erosion of these allowances is not just a matter of paying more tax; it also brings new administrative burdens. More individuals will be required to register for Self-Assessment and file tax returns, even if their affairs were previously straightforward. Overlooking these changes could lead to missed deadlines, unexpected tax bills, and unwelcome correspondence from HMRC.

Planning to Avoid a Fright

To avoid being spooked by the new rules, taxpayers should:

- Review investment portfolios and consider the timing of disposals to make the most of the reduced allowances.
- Utilise tax-efficient wrappers such as ISAs, where income and gains remain sheltered from tax.
- Consider spreading disposals over multiple tax years to maximise the use of the annual exemptions.
- Seek advice if you are unsure whether you need to file a tax return or how the changes affect you.

As the ghosts of tax allowances past fade into the mist, proactive planning is the best way to ensure you don't get a fright when the taxman comes knocking.

Contact us at **tax@thomsoncooper.com** if you need help to assess your tax position.

INVESTING FOR CHILDREN: Growing Wealth Tricks and Treats

Halloween brings with it a familiar choice: children can enjoy all their sweets at once or save a few for later. The same principle applies to money. By encouraging saving and investing from an early age, children can develop healthy financial habits that last a lifetime. And just as a carefully planned trick-or-treat route delivers the best rewards, investing for children works best with foresight, patience and a clear strategy.

- **Saving vs. Spending:** Encourage children to set aside part of their pocket money or birthday gifts, rather than spending it straight away.
- **The Magic of Compounding:** Small sums invested early can grow significantly over the years, thanks to the "spell" of compound growth.
- **Diversification:** Just as no one wants only one type of sweet in their bucket, portfolios should be spread across different asset classes such as shares, bonds, and funds for balance. Take advantage of the long investment timeframe to benefit from stock market growth.
- **Staying Calm:** Markets can feel as scary as a haunted house, but long-term investors are rewarded for riding out the scares.

Why early saving is important

Investing for a time relatively long into the future may seem like just another in a long list of important matters parents have to consider in raising children. However, 18-year-olds who receive a lump sum are less likely to have to have substantial student debt at university, can pay for driving lessons or help towards a house deposit for example.

Parents have several routes to invest for their children, some of the main ones are:

- **Junior ISAs (JISAs):** Tax-free growth on savings and investments until the child turns 18. It has an annual subscription of £9,000 and can be divided between cash and stocks and shares (limited to one of each per year). It is locked until the child's 18th birthday though they can make investment decisions at 16.
- **Child Trust Funds (for those born between 2002-2011):** Transferable to a Junior ISA. A child cannot hold a CTF and Junior ISA so the former must be transferred first. The transfer does not form part of the £9k allowance.
- **General investment accounts in your name:** Flexible options if you want to control access though you are taxed as if the investment is yours.
- **Pensions:** Junior SIPPs or stakeholders can help kickstart their journey. Anyone can start a pension without relevant earnings up to £2,880 pa net and gain £720 in tax relief immediately paid into the pot.

How do we start?

The best way to start this journey of investing for children is to confirm what your child already has. Do they have a CTF or JISA? Depending on the age of the child you can also involve them at an early stage. It is a great way to educate them in the benefits (and pitfalls!) of saving and investing. Set up regular monthly payments as a very efficient way of taking the hassle out and you can take advantage of pound cost averaging when markets fall.

Important Considerations

- **£100 parental Interest:** once a child earns more than £100 in bank interest on money gifted by their parents, it is taxed as if it is the parents' money.
- **Personal allowance:** the allowance of £12,570 is frozen until April 2028 so higher interest rates on larger cash deposits may push some children into paying tax sooner.
- **Investment Risk:** stocks and share JISAs and Junior SIPPs can fall in value and you may get back less than you invested.

This October, alongside the costumes and sweets, consider topping up your child's Junior ISA. It is a financial head start which can help to make the future less scary.

Our team at Thomson Cooper is here to help so if you would like to explore the ideas in the article further please contact us at **wealthadmin@thomsoncooper.com**.

XERO GETS A FACE LIFT...

Just in Time for Spooky Season!

This October, Xero has emerged from the shadows with a hauntingly fresh new look. But don't worry – it's not a trick, it's a treat! The cloud-based accounting software has undergone a major facelift, and the results are *spooktacular*. As a result of Xero's acquisition of Syft analytics software last September we are beginning to see enhanced reporting within Xero.

What's Creeping In?

A Bewitching New Dashboard

The redesigned interface lets you conjure your ideal workspace. Drag, drop, and vanish widgets at will – whether it's invoices, bills, or bank feeds, you're in control of the magic.

Crystal Ball Cash Flow

Peer into the future with a clearer cash flow snapshot. See what's coming in, what's going out, and which invoices are lurking in the "overdue" graveyard.

Reconciliation Resurrection

Bank feeds have been revived with smarter transaction matching and clearer statuses. No more ghost entries – just smooth, accurate reconciliation.

Reports from the Crypt

Include zero-balance accounts and inactive items in your reports for a full financial séance. Perfect for Excel exports and those who love digging deep.

User Interface has been given a facelift

You may have noticed a changed to the menu headings on your user interface. Xero has split out both business and Accounting.

Business has now been separated to Sales and Purchases. Giving a clearer understanding of what falls under the drop-down menus.

Accounting has split into Reporting and Accounting. It is now easier to navigate through your reports and access more of the advanced accounting options without the need to go through the settings menu.

Syft Analytics

In addition to the latest changes from Xero, thanks to previously mentioned acquisition of Syft there has been significant developments on Xero's built-in analytics tools. Meaning they are more powerful than ever, helping small businesses conjure insights and forecast the future with eerie precision.

Cash Flow Manager: Your Crystal Ball

See up to 180 days into your financial future! This new tool analyses historical payment patterns and predicts when customers are likely to pay - so you're never caught off guard by a cash flow curse.

Scenario Planning: Choose Your Fate

Add one-off or repeating transactions to simulate different financial outcomes.

Visual Dashboards: No More Skeleton Reports

Syft turns your Xero data into vibrant charts and graphs. Customize views, compare KPIs to budgets, and export dashboards straight to Excel – no spellbook required.

Why It's a Treat

Xero's facelift isn't just for show – it's designed to make your accounting life less scary. Whether you're a lone werewolf or part of a coven of finance pros, the new interface helps you make faster, smarter decisions without the fright.

If you would like to know more about the changes, please email Arran Anders at **aanders@thomsoncooper.com** to arrange a consultation.

Old Schemes Lurking in the Shadows

As Halloween approaches, the world of UK tax avoidance schemes resembles a haunted house – full of hidden dangers, eerie warnings, and the ever-present threat of past misdeeds coming back to torment unsuspecting taxpayers. While the promise of easy tax savings may seem tempting, those who enter the labyrinth of marketed avoidance schemes often find themselves pursued by the relentless spectres of HMRC enforcement and legislative reform.

Ghostly Promises and Ghoulish Realities

Marketed tax avoidance schemes are often sold as magical solutions, promising to banish corporation tax, income tax, capital gains tax, and even inheritance tax. Promoters, lurking in the shadows of social media and online forums, claim their structures are "fully legal" and "HMRC-proof." Yet, as countless cases have shown, these claims are little more than illusions. The reality is that most avoidance schemes are contrived, artificial arrangements that serve no commercial purpose other than to reduce tax liabilities in ways Parliament never intended. HMRC has repeatedly warned that such schemes rarely deliver the promised benefits and can leave participants with hefty tax bills, interest, and penalties – sometimes years after the scheme was first used.

The Rise of the Taxman's Spectral Powers

In recent years, HMRC has become more aggressive in exorcising the ghosts of avoidance schemes past. The introduction of the General Anti-Abuse Rule (GAAR) and Accelerated Payment Notices has fundamentally changed the economics of avoidance, requiring disputed tax to be paid upfront while cases are resolved. The Disclosure of Tax Avoidance Schemes (DOTAS) regime has been strengthened, with promoters now facing civil penalties of up to £1 million for failing to disclose schemes, and HMRC able to pursue directors and participators personally for unpaid penalties.

But the most chilling development is the government's move towards criminal sanctions. Draft legislation will soon make it a criminal offence for promoters to fail to notify HMRC of avoidance arrangements, with new powers for HMRC to issue stop notices, demand information, and publish the names of sanctioned advisers. The net is also tightening around those who facilitate noncompliance, with new penalties and the removal of tribunal approval requirements for file access notices.

Haunted by the Past: The Fate of Scheme Users

For those who have participated in avoidance schemes, the consequences can be truly terrifying. HMRC has up to 20 years to investigate undisclosed schemes, and users may find themselves liable for back taxes, interest, and penalties long after the original promoters have vanished into the night. Many find that the legal opinions they relied upon offer no real protection, and that professional indemnity insurance is a ghostly shield at best.

Don't Get Caught in the Web

This Halloween, heed the warnings: if a scheme sounds too good to be true, it almost certainly is. The haunted house of tax avoidance is littered with the remains of failed schemes, along with the financial and reputational ruin of those who entered. With HMRC's new arsenal of powers and the threat of criminal prosecution looming, the safest course is to steer clear of avoidance schemes and seek advice only from reputable, regulated professionals. Otherwise, you may find yourself forever haunted by the ghosts of schemes past.

We support clients to get their tax right first time. Contact us at **tax@thomsoncooper.com** if you would like to arrange a free initial consultation.

ESCAPE THE DEBT DEMONS AND SCARY SITUATIONS

A Halloween Guide for Scotland's Sole Traders and Small Businesses

For many sole traders and small business owners across Scotland, the scariest thing this Halloween isn't what's lurking in the shadows - it's the thought of unpaid invoices, mounting tax bills, and sleepless nights over cashflow. Debt demons can creep up quietly, turning small problems into monstrous ones before you know it. But the good news is - you don't need to face them alone.

Just like any good horror story, there's a way out - and it usually starts with facing the fear head-on. The biggest mistake many business owners make is waiting too long to seek help, hoping things will improve "next month." By then, the interest, penalties, and creditor pressure can make the situation feel truly haunted.

If your business is struggling to pay suppliers, rent, or HMRC, it might be time to call in the financial exorcists - professional insolvency practitioners.

For sole traders, solutions such as a **Debt Arrangement Scheme (DAS)** can help you repay what you owe in an affordable way while continuing to trade, while a **Trust Deed** or **Sequestration** may provide debt relief, depending on your circumstances.

For limited companies, there are structured routes such as **Creditors' Voluntary Liquidation (CVL)** - where a company that can't pay its debts is wound up in an orderly way - or **administration**, where an insolvency practitioner takes control to rescue the business or protect creditors' interests. These aren't the stuff of nightmares — they're legal, practical ways to bring calm to the chaos and start your recovery.

Remember, insolvency doesn't always mean the end. In fact, it can be the beginning of something better - a chance to shed unmanageable debts, rebuild on solid ground, and regain control of your business's future.

So, this Halloween, don't let financial fear rule the night. Shine a torch on the problem early, take advice from qualified experts, and banish those debt demons for good. The sooner you act, the sooner you can get back to doing what you do best - running your business, not running from the ghosts of unpaid bills.

Don't let your finances give you a fright. If your business is facing scary money troubles, reach out for confidential advice today. Contact Richard Gardiner on 01383 628800 or email **rgardiner@thomsoncooper.com** to arrange a free initial consultation.

"I learned that courage was not the absence of fear, but the triumph over it. The brave man is not he who does not feel afraid, but he who conquers that fear." Nelson Mandela

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