

JOURNALENTRY

Autumn 2024

SENIOR PARTNER RETIREMENT

The theme of this newsletter is retirement and new beginnings. From retirement to succession, this edition covers key aspects of planning for a secure retirement and the options available when you want to retire but have no succession plans for your business.

We also highlight a recent scam you should be aware of, Xero pricing changes and how the markets can be impacted with a change of Government.

Retirement is a key milestone in life, and the time has finally come for me to hang up my hat at Thomson Cooper for new challenges and adventures.

I joined Thomson Cooper in 1990 as Audit Partner and have been involved in various committees and in many different roles throughout the years.



ANDREW CROXFORD
Senior Partner

From Chairman to Finance Convener to lecturer, my experiences have allowed me to meet an amazing array of interesting people (including Royalty), and hopefully contribute in a meaningful way to my community, as well as clients, staff and business leaders. I leave the business in the good hands of the remaining partners.



Ideas, solutions and resources for effective tax planning

- Corporation tax
- VAT
- Self assessment
- Personal tax
- Estates
- Retirement
- Trusts

Looking after YOUR



EDINBURGH OFFICE 10TH ANNIVERSARY

We recently held a soiree at the wonderful Eve at Virgin Hotel in Edinburgh to celebrate the 10th Anniversary of opening our Stafford Street office.

Our expansion into Edinburgh in 2014, when we acquired Bill Hay & Co, signified a period of significant growth and investment.

We welcomed former Bill Hay Director Carrie Campbell on board as a Partner, and were able to offer additional services to clients from the refurbished offices in Stafford Street.

It was an exciting opportunity to combine the two firms who shared so many qualities, and had a similar approach to supporting clients. We have never looked back. Thank you to all those clients who have supported us along the way.





Welcome to Jovana, Keiran, David, Joshua, Keiran, Alicja and Emma

ONE HUNDRED STRONG

As we welcomed our 2024 trainees to the team we reached our one hundred employee milestone.

This represents another significant achievement for the firm as we celebrate 75 years in business, a testament to our passion and the thriving community we have built.

Our journey began in 1949 when founder T. Hunter Thomson and his business partner Harold Cooper acquired a small practice in Dunfermline. We have expanded steadily over the years, navigating challenges and celebrating successes along the way.

Senior Partner Andrew Croxford added, "As we celebrate this milestone, it represents the strength of our community, the trust of our clients and the promise of a bright future. We are grateful to every member of our team for their dedication and we look forward to the next chapter, filled with new opportunities and triumphs."

VOTES AND VOLATILITY

How elections impact on the markets

The Labour Party, led by Sir Keir Starmer, were returned to power following the UK election on 4th July 2024.

This followed a period of 14 years of Conservative government, with a well-documented five Prime Ministers within that period.



ELECTIONS & MARKETS

What therefore are markets expecting after such a tumultuous political period?

The first thing to mention is that markets already expected a Labour win, and therefore there were no sudden shocks or movements immediately following the election.

This was a welcome reaction, following the recent events of the Liz Truss/Kwasi Kwarteng's mini-budget, where multiple tax cuts were introduced without any explanation of how these would be funded. This led to the market taking fright and ultimately meant that the Bank of England had to step in to calm nerves with interventionist policies.

So, why would the market act in this way for both the Labour win and the mini-budget? Well, markets like stability and a degree of predictability. These usually come in the form of clearly costed policy and stable economic conditions, which allows for the allocation of capital in an effective and confident manner. The opposite rings true, where uncertainty spreads fear and investors react and adjust portfolios to minimise losses.

If the initial change in government did not spook the market, then what are the future prospects for the UK market?

There are a number of factors which come into play, from the current economic backdrop of lower inflation to the issues of the large fiscal deficit. If Labour introduce policies which could lead to more borrowing, then the UK's currency could come under

threat. Indeed, large scale government spending could stoke inflation, perhaps leading to higher interest rates.

There will also be sector issues to consider, as some policies could favour one sector over another. For instance, a new housing policy may impact the housing market, perhaps providing a boost to housebuilding companies. Similarly, any new policies aimed at decarbonisation could negatively impact the oil and gas companies.

So what does this mean for investors? At times like this the Benjamin Graham quote rings true: "In the short run, the market is a voting machine but in the long run, it is a weighing machine."

Graham was articulating that in the short term, markets can be irrational and volatile but in the longer term they generally correct, based on the underlying economic reality. This emphasises the old investment maxim that its better to stay in the markets than try to time them, to coincide with a change in Government for example.

If you need help planning your investment strategy, please contact our Chartered Financial Planner Richard Libberton at rlliberton@thomsoncooper.com.

The information contained within this article is for information only purposes and does not constitute financial advice or recommendations. Thomson Cooper cannot assume legal liability for any errors or omissions it might contain. The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.

RETIREMENT OPTIONS FOR OWNER MANAGED COMPANIES



MAKING SUCCESSION A SUCCESS!

Succession planning for the family trading company

For many entrepreneurs of successful trading companies, the thought of retirement can be daunting.

This article looks at the options available to the shareholders of an owner managed trading company when they are considering retirement.

The options could be to:

- Do nothing
- Make a gift on death
- To make a lifetime gift
- For the company to purchase its own shares
- For a management buyout to take place
- To sell the shares in the company

Proactive planning for the future can maximise the financial security of the owners and increase the possibility that the business survives.

Retaining the shares until death

If the shares are held until death and the conditions are satisfied to claim Business Property Relief (BPR), then the owner may be able to claim 100% BPR and no inheritance tax would be due on the shares. The recipient of the shares would then acquire the shares at the market value on death, wiping out what could be a substantial capital gain if the shares have been held for many years.

The problem with this is that the beneficiary of the shares may not be interested in running the company and the company may not continue as the original owner has intended.

Lifetime gift

The owner may decide to retire and gift the shares to the next generation. Holdover Relief will be available for CGT purposes to transfer the gain on to the beneficiary if the company is a trading company. However, by doing this the original owner will lose an income stream either from salary or dividends and they would not receive any proceeds from the disposal of the shares if they were gifted.

Management buy-out

There may possibly be senior management who want to carry on the business if the owners do not have any family interested in continuing it. Management might form a new company that would then buy the entire share capital of the trading company from the existing shareholders. The shareholders would benefit from favourable capital gains tax treatment if the conditions are met for Business Asset Disposal Relief.

Sale

A sale can be relatively straightforward where a company is sold to another business. However, careful planning will be required and the valuation of the business will need to be considered. The sale can either be by way of a trade and asset sale, or the outright sale of the shares in the company. What is to be sold will require careful discussion between the current owners and the potential purchasers. A potential competitor may only be interested in the trade and assets of the business.

Whatever the best options are for the owner will be determined by several factors and should be discussed in full before making a decision. Our tax planning team can help. Please get in touch at

info@thomsoncooper.com.

Great Glen Challenge 2024

Team TC raised £1,140 and came a very respectable 4th out of 27 teams at the hotly contested Great Glen Challenge 2024 on Friday 30th August, in aid of Royal Scottish Agricultural Benevolent Institution – RSABI.

The event raised over £53k in total to provide practical, emotional and financial support to people in need involved in the Scottish agricultural industry affected by illness, accident, bereavement and those struggling with their mental well-being.

TOP 4 @ GREAT GLEN CHALLENGE



#GGC24

Extreme Zipline Challenge

Our Thomson Cooper daredevils took on a hair-raising challenge recently by crossing the Clyde on a zipline! The event was in aid of Alzheimer Scotland, our charity of the year and raised £525.

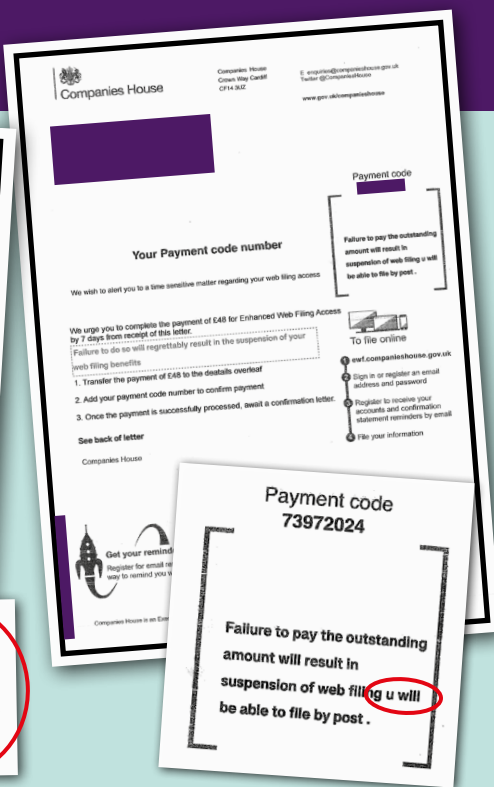
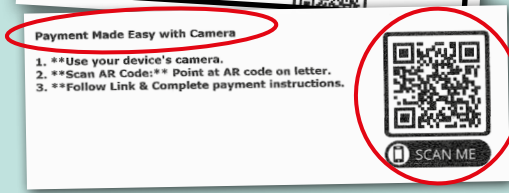
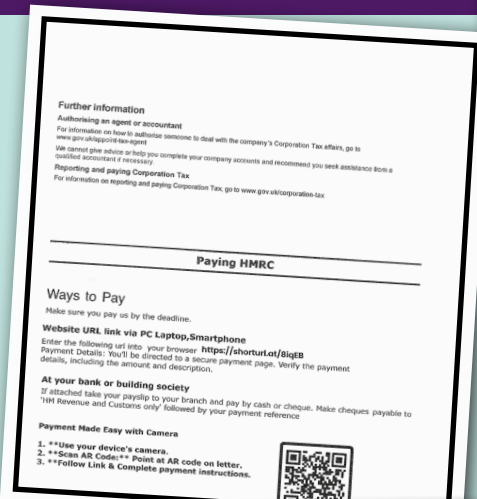
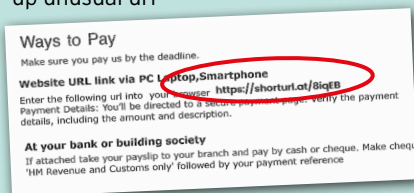


Companies House scam alert!

Scam letters can be so convincing. We recently received a letter that, at first glance, appeared to be legitimate. However, on closer inspection, it was fraudulent.

Please be vigilant when it comes to any type of communication asking you to click on links or make a payment. Here are some things to look out for:

- Incorrect spelling
- Unexpected url
- Poor use of English and qr code bringing up unusual url



CHANGES TO XERO PRICING AND PLANS

From 12 September Xero are changing their subscription prices.

Tier	Current	New	Change
Starter	£15	£16	£1
Standard	£30	£33	£3
Premium	£42	£47	£5
Ultimate	£55	£59	£4

In addition to this, Xero is reshaping it's various packages in order for subscribers to get more out of their subscriptions. The new packages will be rolled out on a phased basis from September through to March next year. We will notify you as soon as we have any information regarding your Xero subscription.

Ignite - this plan provides accounting basics to help simplify business admin for the self-employed and businesses that are starting out. It includes:

- Reconciling bank transactions
- Capturing data from bills and receipts with Hubdoc for simpler record keeping
- Sending up to 20 invoices and entering 10 bills a month
- Bill payments (GBP only), £0.20 per bill payment excluding VAT
- Submit VAT returns to HMRC

The Xero Grow plan offers streamlined accounting tools to help automate admin for self-employed and growing businesses. It includes payroll and expenses for one person a month. It also includes up to five bill payments (GBP only) per month, + £0.20 per additional bill payment excluding VAT.

THOMSON COOPER ACCOUNTANTS



The Xero Comprehensive plan includes streamlined accounting and payroll for businesses with employees so they have the information they need to help make confident decisions. It includes:

- Payroll and expenses for up to five people a month
- Multi-currency
- Advanced cash flow predictions (Analytics Plus)
- Up to 10 bill payments (GBP only) per month, + £0.20 per additional bill payment excluding VAT

The Xero Ultimate plan includes accounting, payroll and forecasting tools for businesses with employees or those who want a plan that includes useful features to scale for future growth. From 12 September 2024, it will include payroll, expenses, and projects for up to 10 people and up to 15 bill payments (GBP only) per month, + £0.20 per additional bill payment (excludes VAT). It will continue to include advanced cash flow predictions (Analytics Plus) and multi-currency.

If you need further information on any of the Xero packages mentioned, please get in touch with Outsourced Finance Manager Arran Anders at aanders@thomsoncooper.com.

RETIRING DIRECTOR?

Why consider a Members' Voluntary Liquidation (MVL)?

In the ever-changing business landscape, companies may decide to wind up operations. One advantageous method for a solvent limited company – one that has more assets than liabilities – is a Members' Voluntary Liquidation (MVL).

During this process, an Insolvency Practitioner (IP) (acting as Liquidator) settles outstanding debts, legal disputes, and pays creditors through asset sales, although typically, all matters would be dealt with prior to liquidation, leaving the company with just cash at bank. Remaining funds are then distributed to the shareholders and, after the MVL, the company will be dissolved.

Why would a company use an MVL?

There are several reasons a company might opt for an MVL:

- **Natural End:** The company has come to a natural end of its lifecycle
- **Purpose Achieved:** The specific purpose for which the company was set up has been achieved (e.g. Special Purpose Vehicle (SPV))
- **Retirement:** The directors or shareholders wish to retire and close the business
- **Tax Strategy:** To take advantage of the tax efficiency offered by MVLs
- **Sale of the Business:** Following the sale of the business, an MVL can help distribute the proceeds

- **Reorganisation (s110):** As part of a corporate reorganisation under Section 110 of the Insolvency Act Scheme of Arrangement. This section is used to restructure companies, enabling the transfer of assets from the company undergoing liquidation to companies of the directors' choice

Benefits of an MVL

Tax Efficiency

A significant advantage of an MVL is the potential tax savings. Distributions to shareholders are treated as capital rather than income, typically resulting in lower tax rates. Capital Gains Tax (CGT) rates, which at the time of writing are lower than income tax rates, and qualifying shareholders may benefit from Business Asset Disposal Relief (formerly Entrepreneurs' Relief), currently offering a reduced CGT rate of 10% on gains of qualifying assets, up to a lifetime limit, currently £1 million.

Legal protection and finality

An MVL provides a clear legal framework to wind up a company, ensuring all outstanding liabilities are settled and the company's affairs are properly concluded. To mitigate the risk of unforeseen liabilities arising, initially, the Liquidator distributes a substantial proportion of the proceeds but holds back a provision for around six months to allow time for any creditors to submit a claim before completing the process. This finality offers significant legal protection that other dissolution methods may not provide.



Corporate reorganisation

An MVL can simplify corporate restructuring. Companies undergoing mergers, demergers or reorganisations can use an MVL to streamline operations by winding up certain entities and redistributing assets.

Ceasing operations

For companies that have fulfilled their purpose or wish to cease operations, an MVL provides a structured and dignified exit, maintaining a positive reputation and demonstrating responsible management.

Flexible and controlled process

An MVL is shareholder-driven, allowing greater control over the timeline and management of the liquidation, making it suitable for various strategic exits.

Conclusion

An MVL offers financial, legal, and reputational benefits, ensuring tax efficiency, legal protection, fair asset distribution, and helps to maintain a professional reputation.

At Thomson Cooper, Richard Gardiner is a qualified Insolvency Practitioner who can assist directors in navigating the MVL process. Get in touch at info@thomsoncooper.com if you require advice on the matter.

“Often when you think you're at the end of something, you're at the beginning of something else.” Fred Rogers

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