Solicitors

Specialist Solicitor Accountants

Newsletter
Spring 2017

www.hawsons.co.uk

Introduction

Welcome to our Spring 2017 solicitor newsletter.

There have been a couple of particularly significant events since our last newsletter. Donald Trump was inaugurated as the 45th President of the United States and Theresa May formally triggered the UK's exit from the EU. The UK economy has, on the whole, weathered the storm created by Brexit uncertainty better than expected. However, inflation is starting to creep up again which could result in a reduction in consumer spending. With the most recent announcement of a snap general election, the coming year and beyond will surely be a big test for the UK economy and all the component sectors.

In this issue, we look at:

- What could Brexit mean for the legal sector?
- Law firms to report disparities between men and women's pay
- What your law firm can do in the event of a cyber attack
- Making Tax Digital: Post-Budget update
- Apprenticeship Levy launches
- Car-Tax-Trophe for new car buyers
- Hawsons Wealth Management seminar: Pensions Continue to Evolve

We hope you enjoy this edition of our newsletter and, as always, please get in touch if you would like any further information.

Simon Bladen
Legal Partner

E: slb@hawsons.co.uk
T: 0114 266 7141
LinkedIn: www.linkedin.com/in/simonbladen
Twitter: @HawsonsLegal

Hawsons are specialist legal accountants

Hawsons is one of the few accountancy practices with a dedicated team specialising exclusively in the need of solicitors and legal professionals. We act for a large number of law firms across all three of our offices and offer a wide range of services which are tailored to meet their individual needs. Our legal client base consists of a multitude of firms of varying structure and size, from sole traders to limited companies and LLPs with corporate members.

Our specialists offer an all-encompassing service to sole traders, partnerships, companies, partners and LLPs. We are able to offer all types of compliance work and advice on non-routine issues, including personal and business planning.

For more information on our legal expertise, including the services we offer and our experience, please visit: **www.hawsons.co.uk/solicitors**

HLB International

What could Brexit mean for the legal sector?

In light of the Supreme Court's decision requiring parliament to trigger Article 50, this article focuses on what Brexit could mean for the legal sector. £25.7bn is currently contributed to the UK economy by the legal sector in addition to employing around 370,000 people. It will have a large role to play in the forthcoming Brexit, be it hard or soft.

What could Brexit mean?

With Britain leaving the EU, certain legislation and laws are bound to change, so for lawyers, it will serve as no surprise that their clients will want to know exactly what is happening and how it could impact their business. Following the Brexit vote back in June, some law firms opened up a 24-hour hotline for clients and prospective clients to discuss their concerns. Very few things are certain while we are in the process of leaving the EU, but one thing we can be clear on – lawyers are going to be very busy over the next few years, especially with Theresa May confirming that Britain will in all likelihood be heading for a hard Brexit.

International transactions become more difficult in volatile markets and, with the pound's value in a state of flux, it certainly isn't the healthiest of situations at this moment in time. Even before the EU referendum took place, the market was fairly unstable due to the uncertainty surrounding the Brexit vote, so transactional lawyers have had a relatively difficult market to operate in for well over a year. Unfortunately, at this point in time, it looks as though this is set to continue.

Simon Bladen, Partner and legal specialist at Hawsons, had this to say: "The demand for quality legal professionals is becoming ever more important, and this can only be a good thing for law firms. Not only will clients want advising on the best possible route for their businesses, but the government will also need advising on a range of things such as immigration and trade treaties. I think in light of Brexit we are likely to see a spike in legal services as a result, but to what extent will largely depend on how the separation is handled."

Law firms to report disparities between men and women's pay

From April 6 2017, companies who employ over 250 staff are now legally required to publish four sets of figures annually; whether that be on their own or the Government's website. These figures are aimed at reporting disparities between men and women's pay.

The required disclosures are as follows:

- Gender pay gap with mean and median averages;
- Gender bonus gap with mean and median averages;
- The proportion of men and women in each quartile of the firm's pay structure and;
- Proportion of men and women receiving bonuses

This new reporting requirement will be particularly interesting for both law firms and accountants. The guidance published by the Government Equalities Office states that partners can be used to determine employee headcount, but should not be used as part of the calculations, even where they would usually be considered employees. However, this only applies to equity partners and not salaried partners, who must be included in all of the calculations.

Those law firms and accountants operating from a traditional partnership or limited liability partnership model are not required to include partners since they share in profits instead of receiving employment remuneration.

Solicitors and accountants have welcomed the legislation. But some are predicting a dramatic increase in equal pay and discrimination claims.

Simon Bladen, Legal Specialist at Hawsons, had this to say: "I hope that overall this legislation serves its purpose and does increase reporting transparency across the board. Hopefully, as others have already suggested, it won't be used as a basis for large group actions and is instead a genuine step forward in promoting equality in the workplace."

What your law firm can do in the event of a cyber attack

One of the biggest threats to a law firm is undoubtedly a cyber attack. Not only can it disrupt your systems and prevent you from carrying out chargeable work, it is also a reputation killer. If you mention the words "cyber attack" to any law firm, its enough to induce fear and this fear is justified, especially with cyber crime on the rise.

According to Natwest's Legal Benchmarking survey, as many as one in four law firms have experienced a cyber attack. This is an alarming number.

So why law firms? Well, law firms hold valuable data about clients and individuals as well as large sums of client money - bringing it all together it makes them an ideal target. From May next year, the EU's General Data Protection Regulation will come into force and businesses that handle EU citizens' personal data will have just 72 hours to inform data subjects of a breach.

This means that we are likely to see a greater number of cyber attacks being made public.

A lot of money these days is invested into technology to prevent a cyber attack from occurring in the first place, but if it does end up happening to your law firm, what steps should you take to protect your reputation?

The first step is to make sure there is a detailed plan for communication in the wake of a cyber attack. A recent Solicitors Journal article sets out that the plan should include the following:

- Internal communication with trusted spokespeople
- External communication with trusted spokespeople
- A chain of command for escalating enquiries
- Scripts for reception staff so they know what to say to clients and media

You should also plan out possible scenarios that may happen during a cyber attack and how it affects you, so if an attack does occur, you know how to deal with it. It is also worth investing time into a Q&A document that rehearses possible questions people may ask you.

If the need should arise, it is worth preparing reactive media and client statements ready to distribute. When writing reactive statements, you should always be honest about the situation that has occurred, don't deny the situation and always put a positive spin in the closing statement.

Finally, it is wise to run through all of these measures as regularly as possible. A cyber attack can happen to anyone at any moment so it is important to be prepared. However, it is worth noting that all the planning in the world may not stop an attack from happening, as criminals are getting ever more sophisticated. That being said, it is better to have protocols in place if it does happen for damage limitation.

To find out more about Hawsons Cyber Security, please click here.

Making Tax Digital: Post-Budget update

What is Making Tax Digital?

MTD is the biggest shake-up of the personal tax system in 20 years and will fundamentally change the way taxpayers report to HM Revenue & Customs (HMRC) and keep their business records. Taxpayers will be required to keep records digitally and update HMRC more frequently than is currently the case. The roll out of MTD will commence in April 2018.

The general principles of MTD

The government has decided how the general principles of MTD will operate. Draft legislation has been issued on some aspects and more will be published in Finance Bill 2017.

Under MTD, businesses, self-employed people and landlords will be required to:

- maintain their records digitally, through software or apps
- report summary information to HMRC on a quarterly basis through their 'digital tax accounts' ("DTAs")
- make an 'End of Year' declaration through their DTAs.

DTAs are online areas where a business can see its tax details and interact with HMRC digitally.

Exemptions

Businesses, self-employed people and landlords with turnover under £10,000 are exempt from these requirements. There will also be a very limited exemption for businesses or people who "cannot engage digitally".

Changes announced in the Budget

The Chancellor announced a one year deferral (to April 2019) from the mandating of MTD for unincorporated businesses and landlords with turnovers below the VAT threshold (currently £85,000). For the self-employed and landlords that have turnover in excess of the VAT threshold, the commencement date will continue to be from the start of accounting periods which begin after 5 April 2018.

Lords call for delay

The House of Lords Select Committee on Economic Affairs, Finance Bill Sub-Committee (FBSC), have been looking at the potential impact of the MTD proposals. The FBSC have now published a critical report ("The Draft Finance Bill 2017: Making Tax Digital for Business") calling for a far more cautious approach by the government to the roll out of MTD. The committee has recommended delaying the introduction of the scheme to 2020 to allow for a full pilot.

The report concludes that the roll-out of the scheme is being rushed, imposing unnecessary burdens on small businesses and landlords, and will yield little benefit to the government. The Lords' committee recognised the unprecedented technological and logistical challenges that would be faced by the small businesses that do not currently maintain digital records or interact with HMRC on a frequent basis. The committee are also concerned that the government's estimate of the 'tax gap' saving is fragile and not based on adequate evidence.

New penalty regime

HMRC are set to introduce a new regime for late submission penalties and late payment sanctions under MTD. HMRC have now opened a consultation on how the new penalty regime should operate. The consultation paper sets out three possible models for late submission penalties and provides an update on late payment penalty interest. The proposals have been developed with the new MTD obligations in mind but the consultation also explores the suitability of the sanctions for other regular submission obligations. The consultation also provides an update on late payment penalty interest as a sanction for late payment of income tax, corporation tax and VAT.

The consultation closes on 11 June 2017.

How do I prepare for Making Tax Digital?

Over the coming weeks and months, we will provide further guidance on what MTD will mean for your business and explain the practical steps you should take to ensure a smooth transition to MTD.

If your business does not already keep digital records, you should consider doing so now so you can start to familiarise yourself with the software.

If you wish to discuss the implications of MTD for you and your business, please get in touch with your usual Hawsons contact.

Apprenticeship Levy launches

The new Apprenticeship Levy will be launched in April 2017. We look at what this is and who will be affected by the government's new levy.

What is the Apprenticeship Levy?

First of all, only employers with a wage bill of over £3m will be affected by the Apprenticeship Levy. The levy will be set at a rate 0.5% of an employer's pay bill, but each employer will receive an allowance of £15,000 to offset against the levy.

Any employer with a wage bill of £3m or higher must adhere to the new rules, whether apprentices are employed or not.

The good news is that it is expected that only 2% of UK businesses will be affected by this new scheme.

All sectors

The new apprenticeship levy will apply to all sectors – including the charity sector who will not be exempt from adhering to this new scheme.

How is this levy paid?

The levy will be paid through the PAYE system alongside tax and National Insurance Contributions.

Apprenticeship funding

Any employer that is too small to fund the levy – roughly around 98% of those in England – will be eligible to receive 90% of training costs funded by the UK government. Along with this, employers and training providers that take on young apprentices aged 16 to 18 can claim extra support worth £2,000 per trainee.

Employers with fewer than 50 employees on their books can claim 100% of their training costs to be funded by the government if they take on apprentices or young care leavers. As well as this, there are to be 15 funding bands – with the caps ranging from £1,500 to £27,000 and, as previously stated, the plans will be launched in April 2017. The funding system will not be launched until a month later.

Employers that pay the levy

The new 'digital apprenticeship service account' will be the platform for employers to access government funding for apprenticeships to pay for the training. This service will also assist employers in finding training providers in order to deliver a successful apprenticeship programme.

This only applies to businesses in England; as separate arrangements will be made in regards to Scotland, Wales and Northern Ireland.

Employers that do not pay the levy

From May 2017, when the new funding system is launched, employers can use the registers on the digital apprenticeship service to choose the type of training they wish the apprentice to receive, the training provider and an assessment organisation.

Employers that do not pay the levy will not need to use the digital apprenticeship service in order to pay for apprenticeship training and assessment until at least 2018.

Full steam ahead

The British Retail Consortium had called for a delay to the introduction of the Apprenticeship Levy until at least 2018 which, according to its Chief Executive, Helen Dickinson, would "allow more time to design a truly viable system that delivers high quality training."

The manufacturers' organisation EEF had acknowledged that an increase in funding for topics such as maths, science and engineering would be a welcome change, but also warned that there should be a delay in the levy's introduction.

Despite the calls to delay the introduction of the levy, it will go ahead as planned from April 2017

Car-Tax-Trophe for new car buyers!

The way Vehicle Excise Duty (car tax) is calculated is changing. These changes are going to have a significant impact on all new car buyers and care will need to be taken to avoid potentially hefty tax charges. Below are details of the new rules affecting all new cars from 1st April 2017.

New Vehicle Excise Duties

From 1st April 2017
New Vehicle Excise Duties (VED) rules come into force for new cars registered after 1st April 2017. These tax changes mean that all new car buyers will face a significant increase in their car tax in the first year of registration, depending on CO2 emissions. Whilst currently low emission cars are exempt, the new VED system will only be free for vehicles with no emissions i.e. electric and hydrogen cars. There is also a new five-year supplement to pay for cars costing more than £40,000 which will be £310 per annum. Buyers of smaller, more economical cars will face the largest increases in duty as they have previously benefited from the old regime favouring low emission cars.

Why change?

Manufacturers have slashed CO2 emissions resulting in less tax revenues for the Exchequer. It is estimated that a quarter of new cars pay no road tax as CO2 emissions are below 100 g/km.

The new changes in detail

Cars registered after 1st April 2017 will pay a one-off tax charge for the first year under a revised CO2 based band system. From the second year onwards, the CO2 scale becomes irrelevant as there will be two flat rates. A zero rate for zero emission vehicles and a flat rate of £140 for other cars. Cars costing over £40,000 will pay the £140 from year two plus £310 for the first 5 years, meaning a total of £450 pa. After five years, they revert back to the £140 flat rate. A £40,000 plus car with zero emissions will pay the £310 expensive car supplement. As part of the changes, alternative fuel vehicles e.g. hybrids, bi-ethanol and liquid petroleum gas will benefit from £10 lower rates for the first 5 years.

The VED tax bands from April 2017 are as follows:

Emissions (g/km of CO2)	First year rate	Standard rate
0	£0	£0
1-50	£10	£140
51-75	£25	£140
76-90	£100	£140
91-100	£120	£140
101-110	£140	£140
111-130	£160	£140
131-150	£200	£140
151-170	£500	£140
171-190	£800	£140
191-225	£1,200	£140
226-225	£1,700	£140
Over 225	£2,000	£140

Cars above £40,000 pay £310 annual supplement for five years.

Cars registered before 1st April 2017

Existing VED bands will remain in place so that these cars continue to pay the current VED rates even after the new bands come into force.

Car-Tax-Trophe continued

Current (pre-April 2017) vehicle VED tax bands:

VED Band	Emissions (g/km of CO2)	Annual rate	First year rate
A	Up to 100 g/km	£0	£0
B	101-110 g/km	£20	£0
C	111-120 g/km	£30	£0
D	121-130 g/km	£110	£0
E	131-140 g/km	£130	£130
F	141-150 g/km	£145	£145
G	151-165 g/km	£185	£185
H	166-175 g/km	£210	£300
I	176-185 g/km	£230	£355
J	186-200 g/km	£270	£500
K	201-225 g/km	£295	£650
L	226-255 g/km	£500	£885
M	Over 255 g/km	£515	£1,120

Road tax refunds when you sell your car

Any remaining road tax is refunded to the seller and the buyer has to re-tax the car. The tax refunds should be sent automatically when the DVLA receives notification that the car has been sold. Sellers must inform the DVLA of the change of ownership immediately and fines for not doing so are £1,000.

Conclusion

With the news that only cars with zero emissions costing less than £40,000 will qualify for the new £nil rate tax band, it's clear that the government is keen to put pressure on manufacturers to provide more vehicles within this bracket. This is another step on the road towards the Transport Ministers goal for all cars and vans to be zero emissions by 2050.

Hawsons Wealth Management Presents

Pensions Continue to Evolve

Hawsons would be delighted if you could join us for a seminar where Nigel Smith, Director of Hawsons Wealth Management Limited, will talk you through the ongoing changes in the pensions world.

As a qualified pensions specialist, he will provide details of the favourable tax benefits currently available with pensions, looking at:

- **Funding options**
- **Income requirements**
- **Flexible retirement options**
- **Death benefits**
- **Inheritance tax consequences**

During this seminar, Nigel will explore all these areas and inform you how our Wealth Management team can help.

Following Nigel, Erica Dietsch, Independent Financial Advisor at Hawsons Wealth Management Limited, will look at investment opportunities that may be suitable to provide income in a tax efficient manner. She will consider the following:

- **Investment bonds**
- **Offshore solutions and how they are taxed**
- **ISAs, Unit trusts & Investment trusts**

Sheffield

- **Tuesday 16th May 2017**
- **Tapton Hall, Shore Lane, Sheffield, S10 3BU**

Doncaster

- **Friday 19th May 2017**
- **The Portland Suite, Doncaster Racecourse, Leger Way, Doncaster, DN2 6BB**

Northampton

- **Thursday 25th May 2017**
- **Sunley Conference Centre, The University of Northampton, Park Campus, Boughton Green Road, Northampton, NN2 7AL**

Programme (for all venues)

- **Registration and refreshments: From 7:45am**
- **Presentation: 8:15am**
- **Finish: 9:30am**

To register for this event, click here.

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Spring 2017

Registered to carry on audit work in the UK and Ireland and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales.

Sheffield
0114 266 7141

Pegasus House, 463a Glossop Road, Sheffield, S10 2QD

Doncaster
01302 367 262

5 Sidings Court, White Rose Way, Doncaster, DN4 5NU

Northampton
01604 645 600

Jubilee House, 32 Duncan Close, Moulton Park, Northampton, NN3 6WL

HLB International

Your local specialist:

Sheffield

Simon Bladen
Partner
0114 266 7141
slb@hawsons.co.uk

Doncaster

Martin Wilmott
Partner
01302 367 262
maw@hawsons.co.uk

Northampton

Richard Burkimsher
Partner
01604 645 600
richardburkimsher@hawsons.com

Find out more about how Hawsons can help your law firm.

Please call your local office or visit:

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SRA Accounts Rules Training Courses

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Hawsons' specialist legal sector team provide training courses on the SRA accounts rules.

The sessions include:

- A detailed overview of all 52 rules
- Common breaches
- Current developments
- Quizzes