

Legal Insight

SPRING 2018

HAWSONS CHARTERED ACCOUNTANTS



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Introduction



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WELCOME TO OUR SPRING 2018 LEGAL NEWSLETTER.

With a relatively harsh winter firmly behind us our attention now turns towards a rapidly approaching, and hopefully more settled, summer.

The UK economy remains buoyant and in the recent Spring Statement the Chancellor was confident on growth, inflation and interest rates.

However, as is often the case the devil is in the detail, and overall the UK is still behind our global competitors. There are uncharted waters ahead and no one knows when the next interest rate increase will come, although suggestions for at least one further increase before the end of the year appear a pretty safe bet.

On the topic of uncertainty, Brexit continues to cast a shadow, but with the full impact still unknown, a sense of “carry on regardless” seems to be in the air.

We hope you enjoy our second newsletter of 2018 and, as always, please get in touch if you would like any further information.

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, partners, partnerships, companies 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

Is your firm at risk from Personal Injury Reforms?

New Solicitor Regulation Authority (SRA) figures have shown just how much many law firms are depending on the Personal Injury market, a sector that is potentially threatened by incoming government reforms. Out of the 10,506 that are currently operating in England and Wales, 768 of them are considered to specialise in personal injury work. These firms have reported that, in the last 12 months, half of their turnover has been generated from PI work.

Furthermore, analysis shows that PI firms are relatively bigger than most other firms, and 49% of specialist PI practices have an annual turnover of over £500,000, compared to only 34% of non-PI firms. These figures were published as part of the SRA's response to the Insurance Fraud Taskforce from January 2016. This taskforce set out a series of recommendations to help reduce fraudulent behaviour in the personal injury claims industry.

The release of these figures is timely, as they come just as the Ministry of Justice confirmed that it wants to implement reforms to the sector by April 2019. The new

reforms will put a tariff system in place for soft tissue injury compensation. They will increase the small claims track limit for claims related to road traffic accidents (RTAs) from £1,000 to £5,000. This could effectively exclude solicitors from the vast majority of cases.

These changes will mainly impact on whiplash injuries, and were initially going to be introduced in October 2018, however it has been pushed back 6 months due to the legislative agenda being mostly dominated by Brexit in the near future.

Furthermore, alongside these reforms, the Department of Health and Social Care last week announced the establishment of a working group, which will possibly introduce cost caps in cases of clinical negligence.

The SRA have stated that they will not ask any firms for any business plans for dealing with the changes, but will continue to monitor the sector.



Scam texts claiming to be from HMRC put your firm at risk

Scam text messages claiming to be from HMRC, promising such things as cash rebates and refunds, are mostly being successfully intercepted before they reach people's phones, according to HM Revenue and Customs.

In April 2017, HMRC launched a new project using technology that identifies fraudulent text messages that suggest they are from HMRC, and prevents them from being delivered to the phones of unsuspecting public.

Since they started the project, there has reportedly been a 90% reduction in in customer reports of this specific type of fake HMRC-related messages. However, scammers are still out there, and they are still trying to steal your information.

Although, considering that on average, just one in every 11 people can spot scams accurately, fraudsters are still able to claim to be from HMRC, make false claims to recipients, and engage in identity theft within seconds.

The messages in question will say they are from "HMRC", instead of showing you a mobile number, to make them appear legitimate. They may claim that you are due a tax rebate, and feature a link that encourages you to "sign in". By opening this link, you are often taken to a website that harvests your personal information,

or spreads malware to your device. It can result in the theft of people's life savings.

HMRC are reminding people that they will never inform customers that they are due a tax rebate through email or text – it will always be through written correspondence.

While HMRC seem to be running an effective campaign, it's another story elsewhere. Deals, coupons and various other useful materials are often sent to customers through email and text, and with such sensitive information on phones, you need to be extra vigilant

So, how do I spot a scam?

Suspicious Text Messages

- Be wary, be vigilant: If a link in a text message asks you to "verify" or "update your account details", don't click it. Log into the main site and check through there.
- Use a contact number you know, or can double check: If a message asks you to get in touch with your bank etc, then only call a number you know will be genuine – i.e., the number on the back of your bank card.
- Be aware of what your bank would and would not ask you: Remember that a genuine text from your bank will never ask you to transfer money to a different account, or ask for your four-digit PIN.

Cold Calls

- Don't assume that the person who has called your phone, or left you a voicemail message is the person they say they are.
- If a phone call or a voicemail offers you a deal, asks you to make a payment, or log into an online account, be cautious.
- If you call a number back, try to use a different line, as some scammers will keep the line open on their end to trick you.





media before viewing it, take a survey, or insert your email address and a password are all warning signs.

DANGEROUS WEBSITES

- Make sure you're protected. Before you start your online shop, install anti-virus software or a firewall. This helps block any suspicious content.

- Always check the URL. Only use secure websites for purchases – those with https: at the start. Also look for the icon of a locked padlock at the bottom of the screen.

- Is the deal too good to be true? If something appears to be too good to be true, then it probably is.

- Only shop with companies you know and trust. Watch out for fake websites, check the URL, and check websites like TrustPilot to read reviews of other customers' experiences.

HOW CAN I PROTECT MYSELF & MY BUSINESS?

Training, training and more training is the best way to ensure that yourself and those in your business are prepared for any potential threats that could result in a huge number of issues for you and your company. This is even more vital if you or your employees have any sensitive or confidential information on their phones or computers regarding clients or customers.

Our IT experts at Hawsons Chartered Accountants are more than happy to advise.

- Check the call is genuine by asking the company the caller claims to be from, and then calling them through your own means. Never call numbers or follow links provided in emails that don't feel genuine. Instead, find the official website or customer support number.

EMAILS TO BE WARY OF

- Official looking emails with multiple spelling errors are often a tell-tale sign of a fraudulent email.

- Don't respond to emails that ask you to click on a link and provide personal information.

- A genuine email from a service you subscribe to will only ever address you by your name at the beginning – "Dear customer" should immediately raise your suspicions.

- Do not reply, click on any of the links, or open attachments that arrive with an email you aren't expecting to receive.

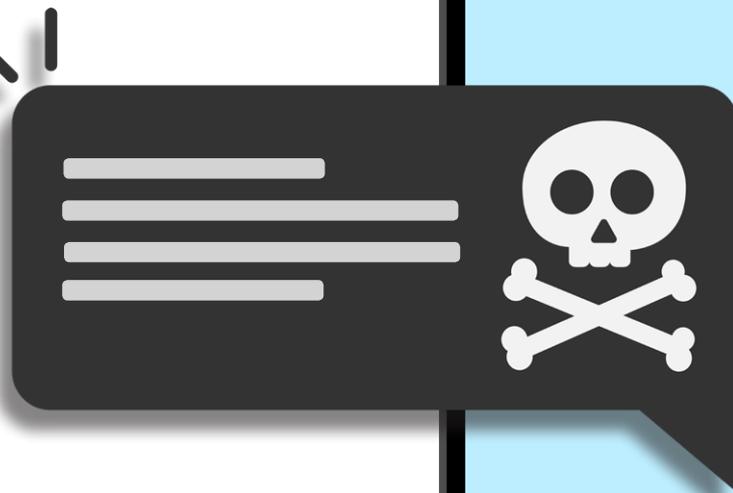
- Hover over URLs to see if the link they are heading too matches the context they are in.

SOCIAL MEDIA SCAMS

- Just because you see it on your feed, doesn't mean it's true.

- Always hover and check on the link before clicking it. Make sure the URL heads to a site that matches up to the post you're reading.

- Be suspicious when there is a call to action before being able to view the content – e.g. having to share



Employing the Millennial Generation...

They appear to be gaining a notorious reputation for being flighty, demanding and difficult in the workplace. How accurate is this reputation of the millennial, and how do employers retain this “problem” generation?

Millennials (the generation born between 1988 and 2000) are quickly joining the workforce, and unlike the Gen-Xers or Baby Boomers, they have grown up under a style of parenting that supported individual empowerment, had more structured lives, and more contact with diversity in their early-late schooling and workplaces.

But these employees are often getting a bad rap for coming into the workforce with an immediate sense of entitlement, a want of quick progression, and a tendency to be unreliable. While that’s a gross overgeneralization, it’s fair to say that millennials are looking for a feeling that they’re more than a cog in a massive machine. They are searching for a workplace that is close to their own ethical beliefs – one of equal pay, diversity in management, and integrity in company goals.

Millennials also may expect a timetable for career advancement that comes off as unrealistic to their managers; The most successful response to this is a simple one: compromise. Make it clear that advancement isn’t possible on the millennial’s idealized schedule, but that if they make a commitment to their current position and department that may seem long to them (yet is shorter than the previous norm in

your company), they will be rewarded with additional opportunities for growth and responsibility on a timetable that they can depend on.

However, this generation comes with a deeply engrained and intuitive understanding of how technology can drive your business forward. They take initiative to reach their seemingly-ambitious goals, and if you don’t provide them with enough of a challenge, the most connected generation in history will network themselves right out of your firm. If their work, and their workplace is not diverse enough, they are a click away from somewhere that fulfils their needs.

So, what changes could firms be considering to ease the transition from baby boomers into millennial management?

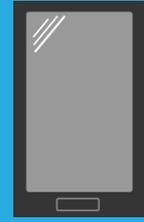
PROVIDE STRUCTURE.

Reports need due dates, meetings have agendas and minutes and goals are clearly stated and progress is assessed. Be careful not to box in the younger generation with inflexible work hours, millennials are notorious for tracking progress, and their overarching ambition.

Encourage their positive self-assuredness, and their enthusiasm for equality.

They are ready to take on the world. They’ve grown up





in an environment which strives for equality between women and men, where your background should not have an impact on your career trajectory. Encourage their battle for a fairer and more diverse workplace. It will only make your business more dynamic.

MILLENNIAL EMPLOYEES ARE MULTI-TASKERS ON A SCALE YOU'VE NEVER SEEN BEFORE.

Multiple tasks don't phase them. Talk on the phone while doing email and answering multiple instant messages—yes! This is a way of life.

In fact, without many different tasks and goals to pursue within the week, the millennials will likely experience distraction.

CAPITALIZE ON THE MILLENNIAL'S AFFINITY FOR NETWORKING.

Not just comfortable with teams and group activities, your millennial employee likes to network around the world electronically. Keep this in mind because they are able to post their CV electronically as well on web job boards viewed by millions of employers. They intermingle on sites such as Facebook and LinkedIn and rate your company at Glassdoor.com. Sought after

employees, they are loyal, but they keep their options open—always. If not happy, they will network right out of your workplace...

PROVIDE A DYNAMIC, EMPLOYEE-CENTRED WORKPLACE.

Millennials want to enjoy their work. They want to enjoy their workplace. They want to make friends in their workplace. Worry if your millennial employees aren't laughing, going out with workplace friends for lunch, and helping plan the next company event or committee.

Help your long-term employees make room for the millennials.

As this generation will inevitably overtake as the majority of your workforce, there will be changes that need to be made. Change can be both good and bad, and making sure you are prepared before undertaking such big developments in your business is essential. Whatever the generation you simply cannot allow your best talent to leave your firm and, in the worst scenario, go and work for a competitor.



Making Tax Digital & VAT: are you ready?

Making Tax Digital (MTD) will commence in April 2019 under the current Government timetable. Initially this will only be for VAT purposes, with the wider roll out of MTD having been delayed until the system has been shown to work well for VAT and not before April 2020 at the earliest.

Hawsons' Senior Tax Manager Craig Walker comments on what the introduction of MTD will mean for VAT registered businesses and what they should do to prepare.

WHAT IS MAKING TAX DIGITAL?

MTD is the biggest shake-up of the 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 generally update HMRC more frequently than is currently the case.

WHEN IS MTD BEING INTRODUCED FOR VAT PURPOSES?

MTD will be introduced for VAT in April 2019.

The implementation of MTD for other taxes has been delayed until at least 2020.

HOW WILL IT WORK?

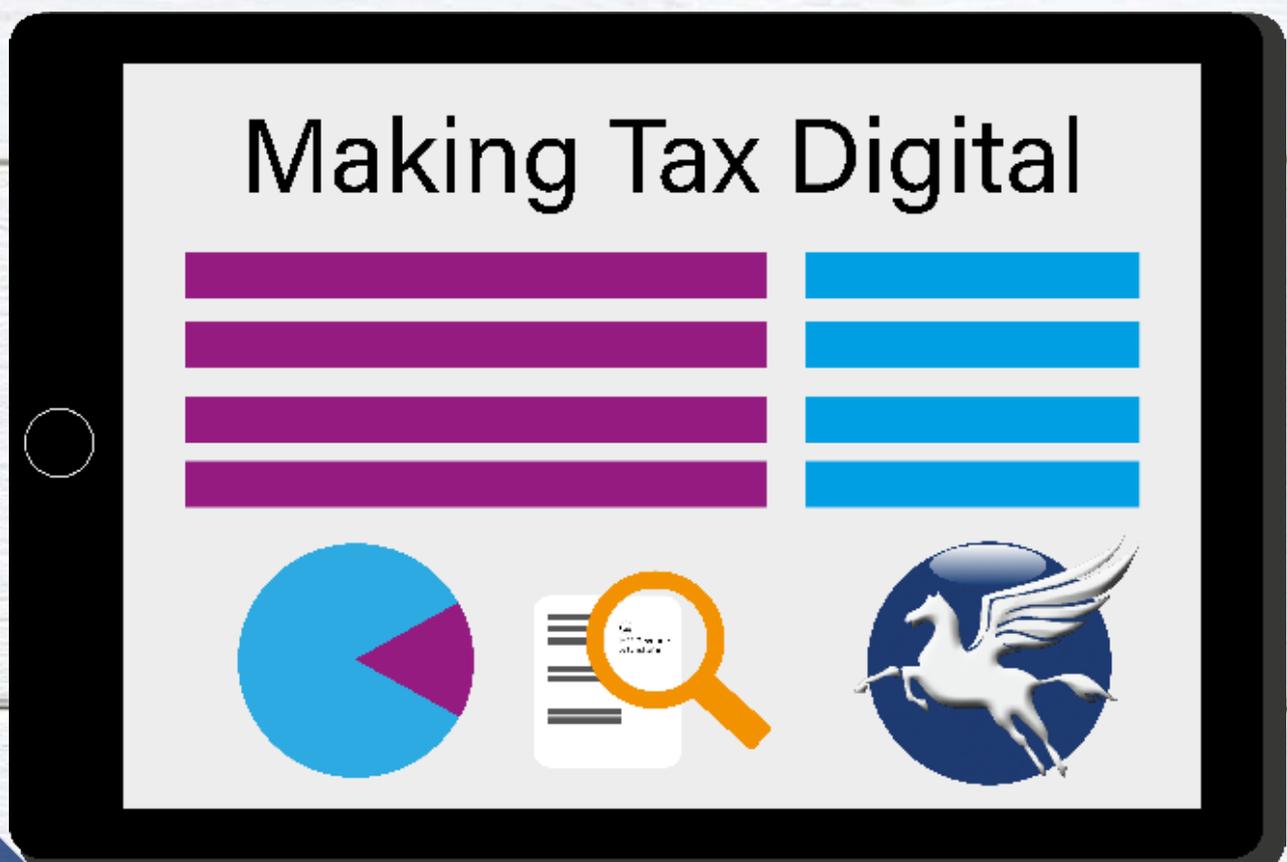
From April 2019 VAT registered businesses with a turnover above the VAT threshold (currently £85,000) will be required to:

- keep VAT records digitally, and
- submit VAT returns using MTD compatible software.

DIGITAL RECORD KEEPING

VAT records will need to be kept digitally using 'functional compatible software', including:

- your business name, address, VAT registration number, and any VAT accounting schemes you use,
- the time and value of each supply made and the VAT rate charged,
- the time and value of each supply received and the amount of input VAT you will recover,
- the amount of any adjustments or corrections,
- the VAT account audit trail between your business records and VAT return
- The digital records must be kept for at least six years (or 10 years if you use VATMOSS).



MTD COMPATIBLE SOFTWARE

You will be required to use a third-party software programme which can connect with HMRC's systems via the Application Programme Interfaces ("API") platform. HMRC will not be offering software.

If you wish to continue to keep books and records on spreadsheets, you will need to use third party bridging software to convert this information into a format that is compatible with HMRC's API platform.

HOW DO I PREPARE FOR MTD?

It is vital that businesses start to prepare for MTD now.

You should consider whether your current system of record keeping will meet the requirements of MTD for VAT. If all or part of your VAT records are currently kept on paper, you will need to consider how best to digitise your records.

You will need to ensure that the software you are using to submit your VAT returns is MTD compatible.

HOW CAN HAWSONS HELP?

We can help you to review your current VAT record keeping arrangements and identify the changes that will be necessary to comply with the requirements of MTD.

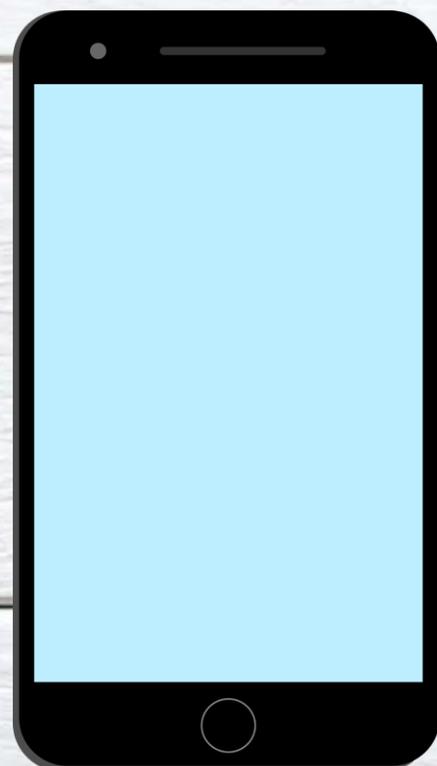
You may wish to consider utilising cloud-based accounting software and many of our clients are already enjoying the benefits of this. At Hawsons we are experienced in the use of the accounting packages marketed by the major cloud providers, such as Quickbooks, Xero, Sage and Freeagent. We can assist

you in your choice of software, help you to set this up, and offer training for you and your staff.

These packages can allow you to capture receipts and payments from your bank account directly, use your Smartphone to photograph expenses and have this information filed straight into your accounts, keep track of your accounts 24/7, and easily create quotes and invoices for your customers.

We would be happy to give you a demonstration of how cloud accounting software can help your business.

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



Prepare your firm for the new SRA rules for IFA referrals

The Law Society still appears to favour referrals to “independent” or “whole of market” financial advisors, but since 2012 solicitors have been allowed to make referrals to “restricted” advisers. But from Autumn this year, the SRA is pushing changes in order to constrict the referral procedure to IFAs.

There are a number of arrangements in place at the moment. There are some that are formal and include the passing of remuneration to the referrer of their practice, whereas others are much less constrained and based on a goodwill basis.

Within individual law practices, arrangements can also vary – each solicitor, department or office can make referrals to different IFAs, based on their own choices, experiences and relationships.

So, what are the proposals?

The draft SRA rules indicate that referrals from a solicitor to a financial advisor must be based on a formal, written agreement, supported by due diligence which is adopted firm-wide. This places greater focus on the legal practice understanding the firm to which they refer their clients and being more aware of the expertise and specialisms of the advisory firm.

This new proposal signals a shift from individuals making their own personal choices regarding referrals, to a more formal, measured approach, which aims to be of more benefit to the client. Although this is a change, there are ways in which these new rules mirror those of accountancy/IFA practices.

Accountancy practices are driven to maintain an ongoing and long-term relationship with their clients, through audits, annual accounts and tax returns, all of which are mandatory and required by government. IFAs are also required to engage in regular reviews with clients who they work for over elongated periods. These reviews are usually performed at least annually, but can be performed more frequently, depending on the complexity of the needs of the client.

Due to these regular meetings, accountants and IFAs tend to have a stronger and longer-term relationship with their clients than lawyers, who tend to operate on a meet when needed basis – conveyancing, divorce, wills and transactions. The new SRA proposals have the potential to make this relationship standard across accountancy, IFA and legal firms.



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Why do I need to sign up...again?

Due to the new General Data Protection Act (GDPR), that comes into force on the 25 of May 2018, we need confirmation that you are still happy to receive our updates, newsletters and events.



What do I need to do?

Just fill in your details to confirm that you still want to receive our updates, events and newsletters. It only takes a minute, and will mean you stay in touch with us:

<http://www.hawsons.co.uk/preferences>



Anything else?

Not at all! Although....you can follow us on social media to stay even more up to date with everything that we're up to here at Hawsons.

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