

Legal Insight

SUMMER 2018

HAWSONS CHARTERED ACCOUNTANTS



In this issue:

- SRA's message to firms: stop offering banking facilities to clients
- Law Firms reminded of their obligations as PPI cap comes into force
- Requirement to correct: time is running out to disclose
- Cryptocurrency and Tax
- How to create a better website for your law firm
- HMRC publish further information on Making Tax Digital
- Hawsons appoint Craig Burton as Partner

Introduction



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

Welcome to our Summer 2018 Legal newsletter

What a summer it has been. Some of the hottest days in recent memory over a consistently dry summer have I'm sure had many an employee gazing enviously out of their office window.

Unlike the (unusually) stable summer, the UK economy has been somewhat up and down over the last few months. Although pockets of strength exist within the economy, wage growth is still not as high as targeted and the Bank of England's second interest rate rise has put greater pressure of household finances. The one large cloud looming on the horizon is the possibility of a no-deal Brexit. Two potential consequences are an increase in inflation and reluctance by investors to invest in the UK economy during a time of economic uncertainty. Of course it could also all just end up being a storm in a teacup, but only time will tell.

We hope you enjoy our summer newsletter 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

SRA's message to firms: stop offering banking facilities to clients

The Solicitor's Accounts Rules set out that only money that is linked to an underlying legal service should go through a client account. There must also be a proper connection with those receiving those funds and the legal service the firm has provided.

It has been reminded by regulators that law firms cannot act as an effective bank account for any clients that want to have a safe place to hold funds. The solicitor's regulation authority is worried that there are many practitioners that are still continuing to do this despite repeat reminders and therefore they are risking misconduct proceedings and damage to the reputation of the profession

The restrictions are there to protect law firms from the risk of assisting money laundering, helping someone improperly hiding assets in a commercial or matrimonial dispute or helping someone avoid their obligations in insolvency proceedings. The SRA has also warned law firms about the risk of allowing firms' client accounts to be used to add credibility to investment schemes that are questionable at best.

Law firms cannot justify processing money through the client account due to having a retainer with a client. The SRA also cautions against firms holding any funds to enable them to pay a client's routine outgoings, for

example, when based abroad. This is no longer justifiable with technological advances.

In the past year, the SRA has prosecuted 20 solicitors and three firms at the Solicitors Disciplinary Tribunal (SDT) for breaches in this area. Three solicitors lost their jobs with an additional two being suspended. The SDT also imposed £763,000 worth of fines which included the highest ever individual fine of £500,000.

Paul Phillip, the SRA Chief Executive, explained that *"Law firms are not regulated to operate their client accounts as a banking facility for clients. They should not trade on their reputation to priced banking facilities, which can result in significant risks for the firm, as well as their clients and the wider public. Our rules are not intended to prevent usual practice in traditional work undertaken by solicitors such as conveyancing, company acquisitions, the administration of estates or dealing with formal trusts. Money passing through the client account can be entirely legitimate where there is a clear legal service being provided, but we will continue to take action against those who cannot justify their actions, put their clients at risk and undermine public trust in the profession."*



Law firms reminded of their obligations as new PPI fee cap comes into force

For well over a year, there have been many discussions about whether there should be a cap on the fees charged by claims management companies. As of 10th July, the decision was made that all PPI claims companies must not charge their clients more than 20% + VAT on a successful PPI claim. The act also puts a ban on any charges being made where no compensation has been recovered.

Law firms have been reminded that when handling claims for mis-sold payment protection insurance (PPI), they must make sure they are acting in their client's best interests and are therefore charging their clients appropriately. However, even with the cap being set at 20%, charges below this can still be thought of as being unreasonable if they cannot be justified.

The Solicitors Regulation Authority (SRA) carried out a review on PPI. Out of the 20 firms they interviewed, it showed that 4 out of 5 of these firms routinely charged fees of more than 25%, with some charging as much as 50% of

the compensation received. However, this matter affects few firms, with it thought that there are less than 100 firms that are still actively advising PPI claims.

SRA Chief Executive, Paul Phillip said, *"In the majority of cases claims for mis-sold PPI can be handled in a fairly straightforward manner by members of the public themselves without attracting a fee. We expect solicitors to always advise their clients accordingly. For more complex cases where professional support may be needed, firms should only charge what is justified by the work they actually do"*

Solicitors need to be reminded of their duty to act in their client's best interests even when dealing with complicated and time-consuming claims. So, if firms are found to have ignored the fee cap, cannot justify their fees or cannot show that they have acted in their client's best interests then the SRA will consider regulatory action.



Requirement to Correct: time is running out to disclose

'Requirement to Correct (RTC)' legislation requires UK taxpayers to ensure that all foreign income and assets, where there may be UK tax to pay, have been correctly declared to HMRC by **30 September 2018**.

HMRC will impose very harsh penalties for those who fail to comply with the RTC. So it is vital that anyone who has offshore interests urgently reviews their tax affairs to ensure they are fully compliant.

HMRC will soon be in possession of extensive information on offshore income and assets, obtained predominantly through information sharing with other jurisdictions, which will enable HMRC to identify and address non-compliance.



What You Need To Know...

Who Is Impacted?

Individuals, trustees, partnerships and companies with offshore interests. The RTC relates to an offshore matter or offshore transfer which was committed on or before 5 April 2017.

Which Taxes Are Included?

Income Tax, Capital Gains Tax and Inheritance Tax (although all tax liabilities should be brought up to date).

Failure To Correct

Those who fail to disclose offshore discrepancies by **30 September 2018** will fall into the 'Failure to Correct' regime which brings with it some very harsh penalties. Penalties for the failure to correct will start at 200% of the tax liability (these can be reduced but to no lower than 100%). In serious cases, an additional penalty of up to 10% of the value of the relevant asset will apply, and taxpayers may also suffer the reputation damage of being 'named and shamed' on a public website



What Do I Need To Do?

RTC is wide reaching and applies whether the non-compliance is due to deliberate motives or carelessness. For anyone who is not absolutely certain their offshore affairs are compliant, they should review their tax position and make any necessary disclosure or correction to HMRC before 30 September 2018.

How Can Hawsons Help?

Hawsons can assist with performing health checks, preparing outstanding returns, advising on relevant liabilities and assisting with disclosures to HMRC. For more information please get in touch with your usual Hawsons contact.

Cryptocurrency and Tax

Bitcoin

What Is Cryptocurrency?

Historically, money has taken many forms; from being recorded in physical ledgers to now being entered electronically into a bank's books, money has had to evolve and change with society for ease of transaction and consumer purchase. Card transactions have now overtaken cash payments in UK stores, and of card purchases, around a third are now contactless.

Enter cryptocurrencies. These currencies use encryption technology (cryptography) in the process of its creation, ensuring security of transactions, but also the prevention of additional, unlicensed units.

After purchasing a cryptocurrency, it gets placed into a digital wallet, where the currency is held, and the owner can spend the currency, as the wallet holds both the private and public encryption keys.

This also means that there is a public record of bitcoin transactions, but while all the transactional information is in the public, the involved parties remain private as they transact under pseudonyms called *cryptocurrency addresses*. We can see time, volume, and involved addresses, but don't learn the individual's private information

Over the past five years, the most prevalent and popular cryptocurrency is Bitcoin. It was founded in 2009, and was first released in open-source software, allowing developers to use and develop their own ways of transferring the currencies between individuals. It was truly revolutionary as a currency, as it is a global currency, and is totally independent of any central authority or bank. It's traded directly between individuals, without any interference from an intermediary, it theoretically means the transaction is much safer.

However, as with anything of monetary value, there are implications with regards to tax, and what you will need to pay if you are involved in the exchanging, purchasing or selling of any cryptocurrency.

Tax Implications of Cryptocurrencies

Capital Gains Tax (CGT)

The HMRC brief on cryptocurrency states that "if a profit or loss currency is not within trading profits or otherwise within the loan relationship rules, it would normally be taxable as a chargeable gain or allowance for CGT if they accrue to an individual or, for Corporation Tax (CT) on chargeable gains if they accrue to a company".



So...basically, unless you declare yourself as a trader to HMRC, you are considered an investor and your annual gains are subject to Capital Gains Tax.

Remember that even if you make less profit than the CGT allowance but have sold more than four times the allowance worth in cryptocurrency, then you have to report this to HMRC as above.

If you have made more than the CGT allowance then you will have to report and pay tax on your gains. Bear in mind that every single trade you make – even crypto to crypto – impacts tax calculations.

Additionally, to calculate the CGT on these transactions, you have to convert everything to GBP value at the time of the transaction, and then continue your calculations from that point. So if you have made a significant number of trades, it is probably worthwhile getting a tax adviser just to make sure you get things right.

Corporation Tax (CT)

The guidance given by HMRC is that a trading activity will continue to be assessed on the basis of preparing profit and loss accounts to determine taxable profit and the value of goods bought or sold using virtual currencies must still be accounted for at their market value or the exchange value of the virtual currency converted into UK pound sterling.

Bitcoin can be held as an investment or to pay for goods or services and HMRC have noted that 'in the UK, there are already a number of outlets, including pubs, restaurants and internet retailers that accept payment by Bitcoin.

Case by Case Basis

Looking at all of the tax implications of cryptocurrency on an individual basis. Taking into account specific facts and circumstances is pretty much the only way forward when considering the taxation of cryptocurrencies. The overall reality of the situation is that most cryptocurrency is owned on a personal basis, and the owner of the cryptocurrency should not try to avoid tax. At this point, it's better to "over" disclose information to HMRC than "under disclose".



Keep up to date with
cryptocurrency news at:
<https://www.hawsons.co.uk>





How To Create A Better Website For Your Firm

A law firms' website is its shop window and the job of the website is to quickly convince any visitors to stay and view the available services. This does not mean that the focus should be on making it as fancy as possible; it should, however, be quick to load and easy to navigate.

If you are looking to start a website for your firm or wanting to improve the website you have, there are many things you should look into including and also common mistakes you should avoid.

Look at what your clients want!

Build your website around the needs of your clients. Ben Le Foe, digital production manager at the Law Society said: *"A website should give clients a reason to hire you above any other firm."* The main areas of focus when designing your website is to highlight your unique selling point, the areas of law you focus on and how to contact you; these should all be placed on the website's homepage. It is also helpful to include examples of work you have previously done to show the client that you are a credible organisation.

To show clients that you have expertise in your chosen field you should include articles, update, and blogs. Emma Ahmed, professional support lawyer at Hill Dickinson explains that doing this is essential to having *"engaging content which explains the law in simple terms and which demonstrates an understanding of how clients can apply complex legal principles to their own business."*

By blogging and sharing updates, your law firm can also build its individual brand and make you unique from competitors.

Ensure your website is as simple and easy to navigate as possible. This can be done by using clear language that can be understood by all prospective clients and ensuring every aspect of the website is easy to find.

Mistakes to avoid

The most common mistake people make when they create any website is putting emphasis on the design of the page rather than content. Focusing too much time on the design of your webpage can have a negative impact on load times due to images and videos loading in the background. Websites are there to fulfil a function which is to get more clients. Having a complex and slow loading page can draw away potential customers who cannot find what they are looking for or do not have the time to wait for a page to slowly load. Site speed also plays a part in your SEO (search engine optimization) ranking.

As mentioned in the previous section, the mistake many law firms make is not telling the user what areas of law your firm focuses on. This should be on the homepage and should be able to catch the user's attention straight away.

With technological advances, it is important to make sure your webpage has a responsive design. This allows the page's display to be compatible with all devices. Users should not miss out on content from your webpage just because they are viewing from a mobile phone.

SEO

This is the process of making sure your website comes up as high as possible in a search engine's organic results. One way to improve SEO is to define a simple elevator pitch for your firm and make sure this appears on the site. This pitch can also be used on social media profiles like Twitter and LinkedIn.

Another way to improve your SEO ranking is to make sure your website is HTTPS. This is because Google has started negatively ranking pages that are just HTTP. It is also thought that clients tend to stay away from sites that are not HTTPS as there is no reassurance that the business is security conscious.

Established platforms such as WordPress can include plug-ins that help you make sure any content you post helps improve your SEO ranking.

Be data driven

Websites provide a large amount of data and it is important that you use this data to know where to make improvements. Tools, such as google analytics can be easily installed onto your website for free. This then examines the data to show which pages are getting more views and how long people are staying on each web page for (the bounce rate). By tracking this data, you will be able to assess which areas of your website need improvements. If one of your pages is showing signs of not performing as well as it should; consider changing key terms on the page, use different language or try to appeal to a more specific wider audience.

When the changes have been made, track the performance of the page using the data to see what changes are more successful in improving the client's interaction on each page.

Simon Bladen, Partner at Hawsons had this to say: *"Technology is already having a massive impact on the way professional firms across all sectors conduct business. In today's society the law firm's website has a massive role to play. This fast-moving generation want to find a firm via the search engine, be engaged with the content and then get in touch via that site. If your website cannot do that then you will miss out"*



HMRC publish further information on Making Tax Digital (MTD).

HMRC have released further information on Making Tax Digital (MTD) in the run up to the introduction of MTD for VAT in April 2019. This includes a new HMRC VAT Notice providing some additional clarity for businesses and a list of software providers that have demonstrated a working prototype of their product. Is your business ready for the introduction of MTD?

New HMRC VAT Notice

The VAT Notice reaffirms that businesses with a taxable turnover above the VAT threshold (currently £85,000) will be required to comply with the digital record keeping and return requirements of MTD for VAT from **April 2019**.

From April 2019 some business records will need to be kept digitally within functional compatible software. This is a software programme that is able to record and preserve digital records, provide information and returns to HMRC by using the Application Programming Interface (API) platform and receives information from HMRC via the API platform.

Digital links

The Notice states that in the first year of mandation businesses will not be required to have digital links between all parts of their software programs if they use multiple software programs. (The only exception is where data is transferred, following preparation of the information required for the VAT Return, to another product that is API enabled solely for the purpose of submitting the 9 Box VAT Return data to HMRC). For the first year of mandation, where a digital link has not been established between software programs, HMRC will accept the use of cut and paste as being a digital link for these VAT periods.

Please note that this relaxation does not extend to the actual submission of the VAT return itself which must be through API-enabled software.

Software

Businesses 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.

HMRC have now released a list of software suppliers that have tested their products in HMRC's test environment and have already demonstrated a prototype of their software to HMRC.

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.

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

In order to ease you through the transition, Hawsons are running free Making Tax Digital Workshops in the Sheffield, Doncaster and Northampton offices. To sign-up go to:
www.hawsons.co.uk/making-tax-digital-workshop/



Hawsons appoint Craig Burton as Partner



Hawsons Chartered Accountants are delighted to announce the appointment of Craig Burton as a new Partner in the firm.

Craig is a highly experienced corporate advisor and auditor, having worked with a number of national and international firms. Craig's career spans over 23 years and has included stints in Cape Town, South Africa and Vilnius, Lithuania. More recently Craig has been a partner at a national firm in its Sheffield and Leeds offices.

Craig will join the Hawsons partner team and be primarily based in the Sheffield office – he will work closely with the other partners and staff to deliver exceptional clients service to both existing and new clients.

Martyn Weatherall, Hawsons' Senior Partner, said: "We are delighted to welcome Craig as a partner in the firm. He brings a wealth of experience and will assist in growing the firm's client base and expertise. Craig will be a valuable addition to our strong partner team and will be of great benefit to our clients and our firm."

Craig added: "I am delighted to be joining the exciting team at Hawsons. The firm is at an interesting point in its 164 year history and I look forward to contributing to the firm providing the highest level of service to its clients and continuing to be a leading independent practice in the Sheffield City Region"

Craig is a commercial partner based in our Sheffield office. Craig delivers exceptional client service by building strong relationships, through regular and clear communication and by providing pragmatic solutions.

You can contact Craig at cmb@hawsons.co.uk or on 0114 266 7141



Get in touch...

Your Local Specialists....



Simon Bladen
Legal Partner
Sheffield

slb@Hawsons.co.uk
0114 266 7141



Martin Willmot
Legal Partner
Doncaster

maw@Hawsons.co.uk
01302 367 262



Richard Burkimsher
Legal Partner
Northampton

richardburkimsher@hawons.com
01604 645 600

Sign up to continue receiving updates from Hawsons...



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/newsletter/>



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.

Disclaimer: All information in this publication is of a general nature and may not be applicable to your own specific circumstances. We will be pleased to discuss your specific circumstances or requirements in more detail. If you would like to discuss anything with us, please contact us. Whilst every care has been taken to ensure that all information in this publication is accurate, no liability is accepted for any loss or damage, howsoever arising from the use or non-use of any information on this site.



HLBInternational