

Legal Insight

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HAWSONS CHARTERED ACCOUNTANTS



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Introduction



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A handwritten signature in blue ink that reads "Simon". The signature is stylized with a long, sweeping underline.

Welcome to our latest legal newsletter. Since our last edition the world has changed considerably. Covid-19 has had an unprecedented impact on the global economy and the UK legal industry has, like most other sectors, also been affected. As might be expected different areas of work have been hit to differing degrees. Accordingly many multi-disciplinary practices have in some cases been better positioned to ride out the economic turbulence.

It's not just the financial impact either. Most firms have been forced to adopt new working practices with many working from home over the past six months. Questions naturally arise regarding future working practices and where efficiencies can be gained. One thing seems certain, Covid-19 and the continuing threat of local lockdowns has extended the timeframe over which firms are considering their current and future systems and processes.

We hope you enjoy our latest newsletter and as ever if you have any questions about any of the articles please do not hesitate to contact us.

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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 understanding of the unique issues that many in the sector are facing, combined with our technical experience, allows our solicitor specialists to provide you with proactive, commercial and informed accountancy and tax advice.

Law Firm's Confidence Increasing over Long-Term Workload

It may come as a surprise to some that a recent report has suggested that, even in this difficult economic period, a third of law firms remain confident about their future workloads. These firms believe the coronavirus pandemic will increase their workload and boost their financial prospects across both the short and long term (according to the 2020 LexisNexis Bellwether Report).

These results display a slightly different outcome to research conducted at the beginning of the COVID-19 crisis. However, many law firms have managed to implement working from home quicker and easier than other sectors which has enabled them to continue to operate at their usual capacity in many areas. But even though some law firms seem confident they will see an increased workload, 44% are worried that they do not have sufficient cash flow to meet their current costs which has resulted in many taking on additional debt.

38% of firms view coronavirus as a critical threat. However, the survey suggests many firms tend to be more pessimistic about their client's prospects than their own.

Perhaps not unexpected is that the survey shows that firms have gone to extreme lengths to cut costs with many cancelling subscriptions, cutting staff hours and delaying any potential investment. Despite many firms cutting staff hours only 4% of firms have made redundancies so far in order to survive.

The question remains then that although the report suggests some confidence is emerging for the future, is this justified or not? Perhaps we are still in the eye of the storm and the true fallout is yet to come or was this exaggerated in the media. The truth is that only time will tell, however, access to legal services will always be in high demand and those firms that can adapt and be proactive will no doubt continue to perform well.



Car or Van? Coca-Cola Lose in Court of Appeal

The Court of Appeal has ruled that the Vauxhall Vivaro and VW Transporter vehicles used by Coca-Cola employees were not “goods vehicles” and should be taxed as cars for benefit in kind purposes. The case has wide ramifications as a large number of employees are supplied with vehicles of this type or of a similar nature.

When is a van a car?

The case hinged on whether the vehicles in question were “primarily suited” to the conveyance of goods or burden. If so, they would be vans; if not then they would be cars.



The ruling

The appeal concerned three types of vehicle provided to Coca-Cola employees – a Vauxhall Vivaro, a VW Transporter T5 Kombi van and a slightly different VW Transporter K5 Kombi van. The vehicles were based upon panel vans but some modifications were made to the vehicles (e.g. to the seating, windows, partition, racking etc).

Previously, the Upper Tribunal had held that a Vauxhall Vivaro should be taxed as a van, even with the addition of two further passenger seats. However the Court of Appeal concluded that the Vivaro was a multi-purpose vehicle which was not primarily suited to the conveyance of goods, so should be taxed as a car.

With regard to the VW Kombis, the court upheld the decision of the Upper Tribunal that the vehicles, in their modified form, were not primarily suited to the conveyance of goods and should be taxed as cars.

What are the ramifications of this ruling?

The case turned on very fine margins and each case will need to be judged on its own merits. However, the ruling makes clear that where a vehicle is multi-purpose, it is necessary to determine which purpose, if any, was predominant, and suggests that a narrow balance may not be sufficient to determine primary suitability.

This ruling casts uncertainty over how double-cab pickups should be treated for benefit in kind purposes. Arguably a double-cab pickup is less suitable for the conveyance of goods than an enclosed panel van since the seating is permanently fixed, although HMRC have generally accepted that a double-cab pickup with a load capacity of at least one tonne is a van for tax purposes.



Clearly there is uncertainty in this area and we await updated guidance from HMRC on its view of these vehicles, beyond the long-standing guidance in its Employment Income Manual.

HMRC have grounds to argue that vehicles of this nature should be re-designated from vans to cars and could seek to revisit earlier years' returns. Re-designating a van as a car would also affect the business' capital allowance claims because cars do not typically qualify for 100% tax relief in the year of purchase

Employers need to reconsider the tax treatment of their vehicles in light of the Coca-Cola ruling and review their policies on private use of vehicles by employees.

Government Announces £3.1m Funding Plan

The Ministry of Justice (MOJ) and the Access to Justice Foundation have worked together on a joint initiative to provide a grant worth £3.1 million to support litigants in person, (a person, company or organisation that makes a legal claim without aid from a legal representative, such as a solicitor or barrister) as part of the 'MOJ's Legal Support Action Plan'.

Organisations within the not-for-profit sector will receive funding to provide legal support for those who do not have representation. The MOJ have said this will help educate those individuals regarding legal processes and help them to understand their rights within them. In addition to this they will receive practical support throughout court proceedings.

The Ministry have announced that they have already allocated over £500,000 in grants to national charities. These grants have been used for:

- improving support helplines
- web-based advice
- online hubs

The aim of this is to support those on lower incomes to access key legal advice.

An additional £270,000 has been allocated for emergency support to ensure organisations can still continue to provide advice and offer their services to litigants in person during the coronavirus pandemic.

Simon Bladen, Legal Partner at Hawsons commented: This is a very positive announcement in a time of need and hopefully these measures are another step towards improved access to justice for all.



The Increased Cyber Security Risks of Home Working

With more people working from home than ever before, cyber security risks have increased significantly. Remote working can expose vulnerabilities within your cyber security and it is very important that you have the best practices in place to reduce the chances of a cyber-attack or data breach. In this article we are going to go through some of the steps you should take in order to maintain a high level of cyber security and minimise risk.

Train your staff about cyber awareness

It is very important that all members of staff are regularly trained on cyber security awareness. With lockdown meaning more employees are working remotely, cyber attackers are looking to take advantage. Your employees are your first line of defence against attacks and need to be aware of the methods used by the attackers.

Training your staff in cyber security awareness is one of the most important steps as staff become better able to spot the signs of a potential cyber-attack. Phishing attacks can be one of the most common cyber-attacks. [Find out more about phishing attacks here.](#)

Make sure all software is updated on a regular basis

It is also very important to make sure that all software being used for remote working is updated regularly. The best way to ensure this is to enable automatic updates and to either force the updates via automated policies or if needed to do manual checks.

The on-access virus scanning and regular scans we have in the workplace must of course continue, especially if staff are using their personal machine to facilitate remote working.

Make sure all of your data is backed up

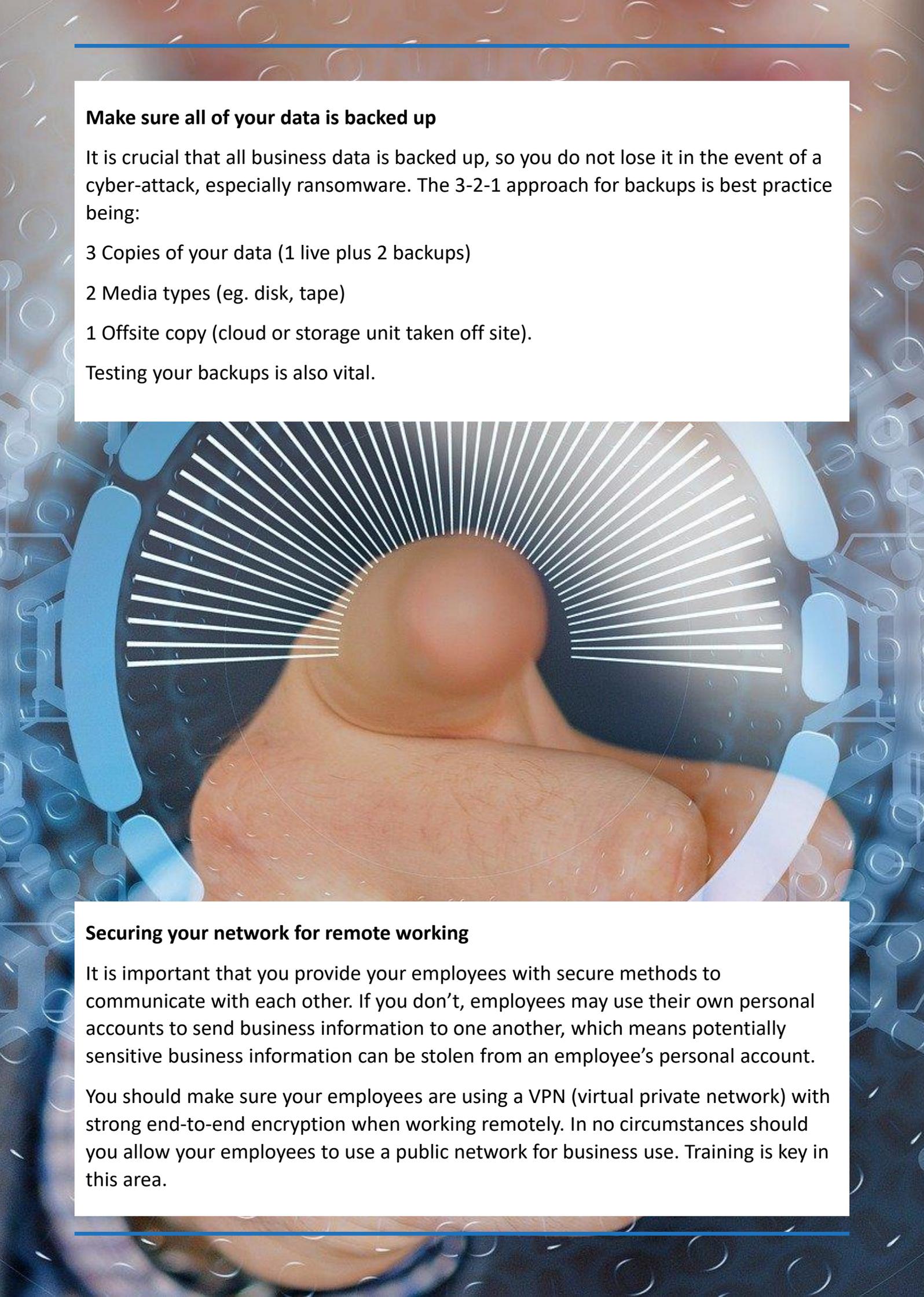
It is crucial that all business data is backed up, so you do not lose it in the event of a cyber-attack, especially ransomware. The 3-2-1 approach for backups is best practice being:

3 Copies of your data (1 live plus 2 backups)

2 Media types (eg. disk, tape)

1 Offsite copy (cloud or storage unit taken off site).

Testing your backups is also vital.



Securing your network for remote working

It is important that you provide your employees with secure methods to communicate with each other. If you don't, employees may use their own personal accounts to send business information to one another, which means potentially sensitive business information can be stolen from an employee's personal account.

You should make sure your employees are using a VPN (virtual private network) with strong end-to-end encryption when working remotely. In no circumstances should you allow your employees to use a public network for business use. Training is key in this area.

HMRC outlines Job Retention Bonus Criteria

HMRC has outlined the eligibility requirements for the Job Retention Bonus (JRB) that follows the furlough scheme.

The government's Coronavirus Job Retention Scheme ends on 31 October 2020 and the JRB aims to provide additional support to employers who keep on their furloughed employees in meaningful employment.

The JRB is a one-off payment to employers of £1,000 for every employee who they previously claimed for under the scheme, and who remains continuously employed through to 31 January 2021. Eligible employees must earn at least £520 a month on average between 1 November 2020 and 31 January 2021. Employers will be able to claim the JRB after they have filed their PAYE submissions for January and payments will be made to employers from February 2021.

All employers are eligible for the scheme. They should ensure that they have complied with their obligations to pay and file PAYE accurately and on time under the Real Time Information (RTI) reporting system, maintained enrolment for PAYE online, and have a UK bank account.

Employers will be able to claim for employees who were furloughed and had a Coronavirus Job Retention Scheme claim submitted for them that meets all relevant eligibility criteria for the scheme.

They must have up-to-date RTI records for the period to the end of January and employees must not be serving a contractual or statutory notice period, that started before 1 February 2021, for the employer making a claim.

HMRC will publish further details about this process before the end of September 2020.

The current HMRC guidance can be found at: [GOV.UK publications](#)

Rebound Revenue for Law Firms

Legal revenues increase by 19.5% in June

The latest figures from the Office for National Statistics indicate that revenues in the UK legal industry jumped by 19.5% in June compared to May. It should be noted that May is normally among the weakest months of the year in this sector. However strong growth during a global pandemic should be seen as a sign for optimism.

When compared to June 2019 the figures look less promising than first thought as revenues decreased by 3.6%. But June 2019 was the highest billing June on record, and compared to many other sectors the UK legal industry has actually performed quite well during the Coronavirus pandemic. In fact, the services sector as a whole is performing well as it grew by 24.5% in June. One of the reasons is because many businesses in the services sector have managed to adapt to remote working. Something not possible in many other sectors such as manufacturing.

Law firms are now outsourcing more

According to EY this increase in revenue has caused a greater number of legal firms to outsource work in order to meet demand and in some cases reduce costs. Services most likely to be outsourced include:

- Contract management
- Employment law
- Records management

Medium and large sized firms are more likely to outsource work than smaller firms. 55% of these firms are targeting a cost reduction of 10-20% over the next two years.

Get in touch...

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