

In practice

Welcome...

...to a new-look In practice - the specialist publication produced by Sagars for members of the legal profession. We've given our newsletter a new lease of life and, in an effort to cut down on the paper that we use, we've made it available as an electronic document - so please let us know how you would prefer to receive your copy in future.

Despite the changes, we can guarantee that In practice continues to feature lots of essential reading and useful information. As ever, we'd be interested to hear what you think so please share any feedback with **Victoria Doyle** by calling **0113 297 6767** or email **v.doyle@sagars.co.uk**

Should you introduce a limited company as a partner in your practice?

The Chancellor used his 2009 Budget to announce a new higher income tax rate of 50% for those earning in excess of £150k per year for 2010/11. The 50% tax rate is introduced alongside the removal of the personal allowance for earnings over £100k (which actually creates a marginal tax rate of 60%). There are also restrictions on higher rate tax relief for pension contributions for those earning over £150k, together with a 0.5% increase in National Insurance Contributions on all earnings from 6 April 2011 - making conditions for higher earners pretty tough. We've been exploring some ideas that may be worth considering if you are likely to be caught by tax rates in excess of the current 40% as of the next tax year.

Turn income into capital

You may be able to change your investments so that you don't achieve income returns but instead go for capital growth and periodically "cash in" gains rather than taking income. The current capital gains regime means tax of 18% compared to a marginal rate of up to 60% on income next year.

Incorporate into a limited company

Some practices may benefit from incorporating into a limited company - the limited company pays tax between 21 and 28% with company owners paying tax on what they take out. If you are retaining cash to fund working capital, this may be a way of reducing your overall tax and avoiding the 50% income tax rate.

Combining a limited company and a partnership

If you are operating as a partnership or Limited Liability

Partnership (LLP), you are taxed on all profits irrespective of whether you can take them out. Rather than convert your whole practice into a limited company, you may be able to bring a limited company into the partnership and let the company take a share of the profits. This can be a way of reducing your own profit and potentially saving 30% tax a year! Obviously it's quite a complicated area and you need specific advice but, from April 2010, this is likely to be a very popular way to structure businesses.

Whilst there may be tax on taking the cash out of the company later, how much tax is largely something you can control because the extra tax is only crystallised when you take cash out. You could even wait a few years and liquidate the company, taking the cash out as capital and not income! Although this is not something that will suit everyone, it's a very flexible business structure which will potentially become even more attractive from April 2010 when the difference between income tax and corporation tax rates will be increased by another 10%.

Limited companies being partners/members in solicitors' practices is allowed under Solicitors' Regulation Authority (SRA) rules and can be structured using one company or separate companies for each partner.

If you would like to discuss the structure of your practice in more detail, please contact John Beevers on 0113 297 6813 or email j.beevers@sagars.co.uk



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- ◆ Legal Disciplinary Practices
- ◆ SAR training workshop
- ◆ New Companies House rules for LLPs
- ◆ Time to ask some difficult questions

Solicitors Accounts Rules - are you up to date?

In just over a year there have been two significant updates to the Solicitors Accounts Rules - everyone in your practice who deals with Client Money should certainly be aware of the following:

Retention of Client Monies

On 14th July last year, new Rules were introduced relating to the retention of Client Monies.

From now on, if you are holding onto client money following the conclusion or substantial conclusion of a client matter, you must now write to your clients to let them know how much you are holding and for what purpose. In addition, you must write to the client annually thereafter for as long as you continue to hold their funds. Rule 15(3) & (4).

Client balances under £50

Whilst introducing the new Rules surrounding the retention of client monies, the Solicitors Regulation Authority (SRA) also introduced new procedures for dealing with client balances under £50.

In future, where you are unable to trace the recipient of a balance below £50, you can now pay the amount to a charity (after jumping through a few hoops!) without the prior consent of the SRA. Rule 22 (2A).

Legal Services Act 2007

On 31st March this year, the Rules were overhauled again in preparation for the introduction of the Legal Services Act 2007.

Controlled Trust money has been completely dropped from the rules and Legal Disciplinary Practices are now fully covered by the rules, particularly in relation to who can sign a withdrawal from a client account.

SAR Training Workshop

Vicky Golding is our resident SAR expert. She has created an interactive training workshop, devised to refresh and update your finance personnel on the recent SAR Rule changes. We will be holding training sessions in October and November at our Leeds city centre offices - See the back page of this publication and the additional flyer for further details and booking information.

If you have any SAR queries, please contact Vicky Golding on 0113 297 6796 or send an email to v.golding@sagars.co.uk



Difficult questions

Financial survival in the current economic climate may demand substantial cost savings, but success could depend on taking a good look at the way you deliver your services and considering how you can generate more income - with a focus on profitability rather than costs. Now is a good time to ask yourself some difficult questions:

Why do we do things the way we do them? Are our processes designed around old technology and an outdated view of the profession?

How do we effectively manage the risk of providing our services? Are we compliant with all regulatory requirements? Can we get rid of duplicate controls for the same risk?

How does our service feel from the client's point of view? Do we focus on things that are important to them or do we spend unnecessary resource on things that our clients don't value?

How can we improve communication with our clients? Where does delay, confusion or frustration arise and how can we eliminate it?

The temptation is to skirt around questions like these – some partners and staff may feel uncomfortable or even threatened by them. Wanting to protect the status quo is a natural human reaction. However, the benefits of addressing these sorts of issues can be substantial – for the firm, its people and its clients.

Tax return reminder

If we complete your tax return, please forward all of the relevant information regarding your income, capital gains and allowances as soon as possible. This will enable us to complete your tax return and supporting schedules for the year. Naturally, the sooner you let us have your records, the more advance notice you will have regarding your tax liability.

Legal Disciplinary Practices - don't bury your head in the sand

As you'll no doubt be aware, Legal Disciplinary Practices (LDPs) have been possible since March 2009 – enabling non-lawyers to take up equity and 'manager' (partner/company director / LLP member) roles in law firms for the first time.

Since their introduction in March this year, the take up of Legal Disciplinary Practices (LDPs) across the profession has been fairly limited. Perhaps this is due to the current economic climate or the fact that LDPs are effectively limited to firms with at least 3 existing partners (a maximum of 25% of owners and/or managers can be non-lawyers) or firms keeping their powder dry to take advantage of the more radical Alternative Business Structures (ABSs) when they eventually come into force. Or, maybe, law firms just aren't interested.

Whatever the reason for the slow start, firms ignore these changes and opportunities at their peril. There is no doubt that legal practice will change over the coming years, becoming more commercialised, more efficient and even more competitive. Whether you decide to use LDPs, ABSs or another route to better position your firm to succeed, do ensure that you are making positive strategic choices and not just burying your head in the sand.

If you would like to discuss any of the issues raised in this article, please contact Ali Jones on 0113 297 6801 or email a.jones@sagars.co.uk



Solicitor stats and facts

- 139,666 solicitors are currently on the Law Society Roll
- Of these solicitors, 112,433 hold current practising certificates
- 74.1% of practising certificate holders work in private practice firms, with 29,104 (25.9%) working outside of private practice
- Of those with practising certificates, 49,909 (44.4%) are women and 11,249 (10.0%) are drawn from a minority ethnic background
- 10,267 law firms in England and Wales are currently providing legal services direct to the public
- These law firms employ a total of 83,329 solicitors
- In the year that ended on 31 July 2008, the Law Society registered the highest number of training contracts (6,303) and admitted the highest number of individuals to the Roll (7,861) to date.

Companies House rules applying to LLPs

From 1 October 2009, some of the terms of the Companies Act 2006 will apply to LLPs.

LLPs will still need to have two or more members but, after six months, a sole member will be jointly and severally liable with the LLP for debts incurred.

Every LLP will be required to keep a register of members including a service address for each individual. Residential addresses can be on a separate register and only need be disclosed to the Registrar of Companies. Unless held at the registered office, the LLP must tell Companies House where the register is available for inspection and it must be open for viewing by members free of charge and to non-members on

payment of a fee.

LLPs will have to display their name and registered office at their registered office and any other business location. The LLPs name, number and details must be included on any website and in all correspondence, including emails.

Penalties for the late filing of accounts will apply to LLPs for financial years beginning on or after 1 October 2008.

Audit reports for LLPs will need to be signed by the senior statutory auditor for years commencing after 1 October 2008.

Rules defining 'service' and clarifying what addresses are valid for the purposes of service of documents will

apply to LLPs.

Although execution formalities in Scotland remain unchanged, in England, Wales and Northern Ireland a document is to be executed by an LLP by applying its common seal, either by signature of two members or one member in the presence of a witness. An LLP may, by a document executed as a deed, empower a person as its attorney to execute deeds or other documents on its behalf and a deed or document so executed in the UK or elsewhere will have effect if executed by the LLP.

Contact us or visit the Companies House website for more information: www.companieshouse.gov.uk

Solicitors' Accounts Rules workshop

The Solicitors' Accounts Rules changed significantly in July of this year, possibly leaving those who work with the rules on a daily basis in need of further technical guidance.

Our resident SAR expert, Vicky Golding, has been providing SAR training to legal cashiers, credit controllers, finance managers and accountants for many years. Delegates provide excellent feedback on the sessions, often using the words "interesting", "helpful" and "stimulating" in their assessments. We also enjoy receive repeat bookings from some of the country's largest solicitor's practices.

Vicky has designed an **interactive training workshop** to refresh and update finance personnel on the recent SAR changes. Those attending will also have the opportunity to raise any problems areas that they come across in implementing the rules and Vicky will address any common issues.

The workshops will be held at our Leeds city centre offices on **Thursday 22 October** and **Thursday 12 November**.

Registration on both days will begin at **9:30am for a 10am start and 4pm finish**. The course represents excellent value for money at just £175 + VAT per person to include lunch and a copy of the current SAR rules.

See the SAR training flyer that forms part of this publication for more details or contact Vicky Golding on 0113 297 6796 or email v.golding@sagars.co.uk if you have any queries relating to the course content or it's suitability for you.

To book a place, simply complete and return the booking form by post, together with your payment. Alternatively, you may return your booking form by fax or email and we will confirm your place upon receipt of payment. If you have any queries about our booking procedure, please contact Deborah Stewart on 0113 297 6705 or d.stewart@sagars.co.uk

If there are more than five people in need of training at your firm, please contact Vicky Golding who will be happy to discuss your specific requirements and arrange a dedicated training session tailored to your

More awards success for Sagars

We are delighted to share the news that we have received another award in recognition of our tax technical expertise.

We have been successful in winning one of ACQ Finance Magazine's Country Awards for Achievement 2009. The corporate finance

publication has named us **Regional Tax Advisor of the Year 2009**, in recognition of the tax advice that we have supplied to our clients in relation to a variety of deals and transactions over the past year.

In addition, we have managed to repeat our Accountancy Age Awards

success from last year by making the 2009 shortlists in both the **Tax Team of the Year** and **Best Medium Firm categories**. Our competitors for the tax award include BDO, KPMG and Ernst & Young and the winners will be announced at a ceremony in London on Wednesday 18 November.

www.sagars.co.uk

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The briefing is for general information only and does not constitute specific advice. You should not rely on this information to make (or refrain from making) any decisions. You should ALWAYS obtain detailed professional advice in relation to your own particular affairs.

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Sagars LLP is a limited liability partnership registered in England and Wales with registered number OC310488

Solicitors' Accounts Rules
Interactive training workshops
Thursday 22 October & Thursday 12 November 2009
10.00am - 4.00pm

Do you and your finance team fully understand the SAR rules since the changes were made in July 2009 or would you benefit from an update?

We've created an **interactive** and **participative** workshop, designed for finance personnel who use the Solicitors' Accounts Rules in their everyday work. The workshop will refresh and update, also giving attendees the opportunity to raise problem areas that they come across in implementing the rules with our resident SAR expert, Vicky Golding.

Our course represents excellent value for money at £175 + VAT per person, including lunch and a copy of the current SAR rules. We've recently held similar workshops for a national firm of solicitors, here's what some of the attendees thought about the interactive sessions:

'This course is very interesting, Vicky made it very enjoyable as SAR can be a bit boring sometimes. I have learnt an awful lot today! The notes and handouts are very helpful.'

'I have attended previous SAR courses and found this one to be far more interesting and stimulating. Very well presented.'

'Good. Usually courses like these are too basic. Interactive and thought provoking.'

To book a place, complete and return the booking form or contact **Deborah Stewart** using the details below. If there are more than 5 people in your finance team, why not get in touch with us to find out about organising a tailored in-house workshop?

Registration : 9.30 - 10.00

Seminar : 10.00 - 4.00

Contact : Deborah Stewart, **Sagars LLP**, Elizabeth House, Queen Street, Leeds LS1 2TW

Email: d.stewart@sagars.co.uk

Tel: 0113 297 6705

Booking form

Thursday 22 October 2009

(please tick this circle if booking this date and include your information below)



Name:

Job title:

Firm Name:

Address:

.....

Tel:

Email:

Thursday 12 November 2009

(please tick this circle if booking this date and include your information below)



Name:

Job title:

Firm Name:

Address:

.....

Tel:

Email:

Please tick this circle to indicate that you have enclosed a cheque for £175 + VAT (£201.25) per person, made payable to: "Sagars LLP" Elizabeth House, Queen Street, Leeds, LS1 2TW

