



Solicitors UPDATE

Welcome to the latest edition of the Allotts' Solicitors Newsletter. At Allotts we are proud of the relationship we have built up with our many solicitor clients over a number of years. We have a dedicated solicitor service team which has vast experience in all areas of the legal sector.

Summer 2015

Services we offer include:

- Expert advice on the requirements of the SRA Accounts Rules 2011
- Preparation of your annual accounts
- Tax planning and compliance
- Growth and business development advice, including advice on mergers and acquisitions
- VAT advice
- Partner and partnership tax returns
- Assistance with COLP and COFA roles
- Limited company incorporations and LLP conversions



Useful Links

Solicitors Regulation Authority
www.sra.org.uk
Law Society
www.lawsociety.org.uk
Law Gazette
www.lawgazette.co.uk
COLP/COFA information
<http://www.lawsociety.org.uk/advice/practice-notes/compliance-officers/>

Our reputation is based on the high quality service which we provide. We appreciate that each legal practice is different and that's why our services are tailored to meet your individual needs.

For more information or for a free initial no-obligation consultation, call one of the solicitors team, Mark Garrison, David Waining or David Ward on 01709 828400 or email mark.garrison@allotts.co.uk.

Allotts Chartered Accountants

Rotherham

The Old Grammar School
13 Moorgate Road
Rotherham S60 2EN
Tel: 01709 828400
Fax: 01709 829807
Email:
info@allotts.co.uk

Doncaster

Sidings Court, Lakeside
Doncaster DN4 5NU Tel:
01302 349218
Fax: 01302 321739
Email: donc@allotts.co.uk

Directors

J N (Jackie) Saunders BA FCA DCha
Steven G Pepper FCA
Neil S Highfield FCA
Steven Watson BA ACA CTA
Mark Garrison BCom FCA DCha

Consultant

A E (Tony) Grice BA FCA Cert PFS

Financial Services

01709 828400
Email: fsd@allotts.co.uk

www.allotts.co.uk

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In this issue:

**Auto Enrolment
Accountants Report Changes
Capital Allowances
The Budget**

Are you prepared for Auto Enrolment?



The last government brought in major changes to workplace pensions, requiring employers to provide and contribute to pension schemes for employees. This process is called auto enrolment. These changes are slowly working down towards the small business sector and in particular towards a large number of solicitor practices. A number of larger practices will already have received or passed the staging date for auto enrolment and taken the appropriate action to enlist in the scheme. However, many smaller firms have taken no action.

With all businesses needing to be enrolled in the scheme by the end of 2018, and the majority needing to join in the next 18 months, there is a lot of work to do for many firms. It is thought that one in four small businesses, across all industries, have yet to consider how to implement the changes required, including budgeting for the additional costs of providing pensions for staff.

Experience suggests that the enrolment process takes a minimum of 9 months to complete for most businesses (with the regulators recommending allowing a year), potentially slightly quicker if the company already operates a pension scheme. Letters detailing the staging date are usually sent out around 18 months in advance, but the time to act is now. Fixed penalties and escalating daily fines will be charged for failure to complete enrolment before the staging date.

The recommendation is for businesses to seek professional financial assistance to help smooth the path to auto enrolment, particularly for smaller employers with little or no experience of pensions.

Our financial services division can help guide you through the enrolment process and has been running a series of auto enrolment workshops, including practical implications for the payroll. If you would like to attend one of our workshops or would like a free, no obligation initial consultation with one of our financial advisors, please get in touch.

Further reductions of Accountant's Report burden for smaller firms

The SRA have agreed a further reduction in the number of firms that will be required to obtain an accountant's report on their client account each year. The SRA originally removed the requirement for any firm receiving only legal aid income to obtain a report but have now agreed to bring this in for all firms who have an average client account balance of less than £10,000 in the year (with a maximum balance at any point of less than £250,000). This is expected to remove the burden on a further 1,000 law firms across the country and further reductions are planned in the years to come.



The reforms also give accountants more rights to exercise professional judgment as to whether a report is qualified. Accountants will no longer have to automatically qualify reports for breaches of the rules but will need to consider whether breaches are material and likely to put client money at risk instead. It is anticipated that these changes will come in on 1 November 2015.

Capital allowances on commercial property

Significant amounts of tax relief in the form of capital allowances may be available to clients on the value of plant and machinery contained in commercial property. Capital allowances have traditionally been dealt with by accountants. However, the Finance Act 2012 changed the rules on capital allowances for second-hand purchasers of commercial properties, resulting in conveyancing solicitors having more responsibility to ensure relief is not lost upon acquisition or disposal.



By way of a background to the legislation, businesses can claim tax relief on the acquisition of certain fixed assets eg fixtures and fittings, equipment, machinery, vehicles etc, collectively known as plant and machinery for capital allowances purposes. Capital allowances are not available on land or on the fabric of a building, but are available on any plant and machinery and integral features, such as heating, water and electrical systems, embedded in the building. Businesses claim the tax relief by pooling the value of plant and machinery additions in a capital allowances computation submitted to HMRC each year.

From 1 April 2014 capital allowances can only be claimed by the purchaser of commercial property if the previous owner has pooled the relevant expenditure in its tax computation. Solicitors should therefore have been raising the issue of capital allowances on commercial property transactions before completion to avoid potential financial loss to their clients.

Recent research by the Law Society found that solicitors take an inconsistent approach towards capital allowances which could lead to client complaints and PI claims. The research also found that many solicitors would like to know more about capital allowances and their duty of care to clients. Whilst this extra responsibility could be considered a burden, the research also found that having a knowledge of capital allowances will increase customer satisfaction and improve the potential of repeat business.

Your commercial property standard enquiry should cover the capital allowances position and be accurately completed. If you are acting for the purchaser you should establish whether the seller has made a claim, obtain full details and use this to negotiate the value of the transaction allocated to capital allowances.

Where no claim for capital allowances has been made it should be established whether the seller is eligible to claim. If eligible, you should ensure that you secure agreement in the sale documentation that the seller pools the expenditure, and agree the value. If this is not done before completion then the allowances will be lost. You may need to consult accountants or other specialists at this stage to establish the level of the qualifying expenditure.

Where you are acting for the seller, you will need to establish, with help of the client's accountants, the amount of allowance claimed and establish the most beneficial transfer value.

The price apportioned to the capital allowances also has to be agreed via both the seller and purchaser entering into a S198 CAA 2001 election which should be submitted to HMRC within two years of the sale.

The Law Society has produced a practice note on this which is available on its website.

As a final note, you should review your own commercial property portfolios, particularly those purchased after 1 April 2008, to ensure any capital allowances have been maximised.

The Budget

George Osborne announced a number of changes in his July budget statement, the headline change being the alteration to tax on dividends. This will increase the amount of tax payable on dividends from 6th April 2016. The changes have yet to be enacted, but HMRC have recently issued some examples of how the new system will work. If your remuneration package includes significant amounts of dividend income you should consult your accountant to review the most tax efficient way of extracting income.



Other changes include:

- An additional inheritance tax nil rate band of £100,000 in 2017/18 (with subsequent increases) for main residences passed on death to direct descendants
- Reduction in the corporation tax rate to 19% in 2017 and 18% in 2020
- Annual investment allowance to be set at £200,000 from 1st January 2016. This is currently £500,000 but was due to fall to £25,000 in January. The allowance provides a 100% deduction against taxable profits for plant and machinery purchased by a business.
- Removal of corporation tax relief on goodwill write off
- Increase in the employment allowance from £2,000 to £3,000 from April 2016.
- Restriction on relief for interest on buy to let properties to the basic rate of income tax



Rotherham Office:

The Old Grammar School
13 Moorgate Road
Rotherham
S60 2EN
Tel: 01709 828400
Fax: 01709 829807
Email: info@allotts.co.uk

Doncaster Office:

Sidings Court
Lakeside
Doncaster
DN4 5NU
Tel: 01302 349218
Fax: 01302 321739
Email: donc@allotts.co.uk

Website:

www.allotts.co.uk

Directors:

Jackie Saunders BA FCA DChA
Steven Pepper FCA
Neil Highfield FCA
Steven Watson BA ACA CTA
Mark Garrison BCom FCA DChA

Consultant:

Tony Grice BA FCA Cert PFS

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