inpractice
Finance and tax information for legal professionals

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CHARTERED ACCOUNTANTS

Cybercrime – be prepared

The Solicitors Regulation Authority (SRA) saw a record number of cyber thefts from law firms reported in the first quarter of this year, with conveyancing the main target. There were 13 scams reported to the SRA in October alone.

The regulator said it had received more than double the amount of reports of cyber theft in the first quarter of this year compared to last year, with triple the amount (£3.2m) stolen. Between April 2016 and March 2017, it had seen cases involving around £11m of losses.

Almost 75% of the cases involved some form of email hacking fraud, with criminals modifying emails and altering bank details. Half of the cases involved money earmarked for house moves, but inheritance monies and law firms' own monies were also targeted.

Criminals are becoming increasingly sophisticated in how they approach firms and often convince staff to transfer money to them. Most attempts are made through identity theft – appropriating the identity of another without consent – and it can take on various forms, such as an invoice, email or mail purporting to be from a manager, managing partner, client or supplier.

An identity thief can pose as a senior executive – to make an international bank transfer; an IT technician – to take control of your computer; a client – to change a delivery address; a tax administration official – to obtain undue payments; or a supplier – to change bank details. They will often present fake but realistic documents and these can include correspondence using the letterhead of a real company, 'official' administrative forms or company registration documents.

Frauds will often follow a pattern. There will be an approach on the phone or via email from someone pretending to be the finance director or managing partner, often with an urgent and confidential request to the finance team (or an individual with access to the firm's bank account) to transfer funds. This will often be made towards the end of the week, at lunchtime or during the quieter months of the year. Once the funds are released, they are usually transferred abroad becoming untraceable, leaving the victim firm significantly out of pocket. The first the firm knows about this is when the real finance director, managing partner or client confirms that they did not authorise the transaction.

Training staff in potential cybercrimes will help firms to reduce risks to their business. Policies are also needed to ensure that very few people can authorise payments and/or access the firm's account or client monies.

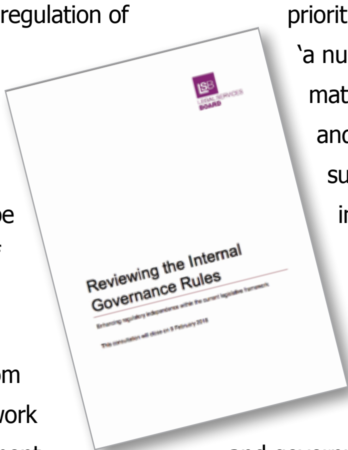
To safeguard your firm from cybercrime, staff should be encouraged to:

- Always exercise vigilance with an unusual request.
- Remain objective about the nature of the request and ask for more details.
- Express doubts to a line manager or a colleague.
- Not give in to pressure and deadlines.
- Check with the right people to ensure the payment request is real and authorised.
- Not open suspicious emails.

INSIDE

LSB launches governance consultation

The Legal Standards Board (LSB) has launched a new consultation aimed at understanding stakeholders' experiences of operating under the current Internal Governance Rules (IGR). However, it stopped short of announcing a review of the legislative framework by government for the regulation of legal services 'for the time being'.



The independent body wants to know if the IGR, which were established by the LSB in 2010 and enshrined in the Legal Services Act 2007, could be improved within the constraints of the Act and, if so, how.

Options put forward in the consultation range from incremental changes to a whole new IGR framework and are detailed in a 58-page consultation document available on the LSB's website.

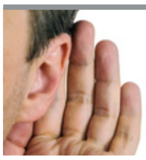
The LSB chief executive Neil Buckley said: "The Legal Services Act 2007 does not create a framework in which all approved regulators are structurally separate from representative bodies, and does not permit the LSB to require this. Instead, the LSB must make rules that apply to regulators in the sector."

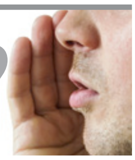
He said that putting in place an IGR had been one of the first priorities for the LSB but added that there have been 'a number of disagreements about independence matters from a range of different approved regulators and regulatory bodies' since then. He said that suggestions have been made on how regulatory independence is best achieved, 'including through changes to the IGR'.

Mr Buckley added: "The LSB's view is that regulation should ideally be structurally, legally and culturally independent of the professions and government… We are, therefore, interested to understand stakeholders' experiences of operating under the current IGR."

The LSB consultation is open for responses until 5pm on 9 February 2018.

Have you heard from your bank?





Hopefully your bank has been in touch to advise if your client money account is affected by new ring-fencing legislation coming in to protect bank customers following the 2007 financial crash.

It's been brought to our attention that some banks are placing client money accounts into their non ring-fenced bank, which could present challenges to firms that assume their client money is safe in that account.

Individual banks are using different criteria to decide their ring-fencing policy and which accounts to put in to the ring-fenced bank, so it's important to check in with your bank to find out where your client money account will be included.

Customers directly affected by the changes will be issued with a new sort code and/or a new bank account number. Banks will be writing to clients advising them of any changes and have said that they will automatically redirect payments made to old account numbers and sort codes to their intended destination for a significant period.

The changes are due to be implemented by the major clearing banks by January 2019 and require UK banks to separate their retail banking activity from the rest of their business. This is to safeguard customers and day-to-day banking services from unrelated risks elsewhere in the banking group and risks affecting the wider financial system.

Employer pension contributions set to increase in April 2018

Changes to pensions continue and from 6 April 2018, employers will be required to increase the amount of their contributions into their employees' automatic enrolment pension scheme. Employees own contributions will also increase.

Under the Pensions Act 2008, every employer in the UK with at least one employee must put certain staff into a pension scheme and contribute towards it. All employers that were in business prior to 30 September 2017 had a staged approach to auto-enrolment. However, since 1 October 2017, all new businesses have had to introduce a pension scheme immediately within the minimum 2% contribution level (usually split 1% employer and 1% employee).

The contribution levels continue to rise until the employer is paying a minimum of 3% towards the pension and the total contribution reaches at least 8% – with the employee making up the rest.

If the employer chooses to pay the total contribution, then the employee will not need to pay any contributions, unless the scheme rules require a contribution. Both the employer and employee can choose to contribute greater amounts to the pension.

If the employer contributes more than their required minimum amount – but less than the total amount – then the employee only needs to make up the shortfall between the total minimum and the employer contribution.

The table below demonstrates the phasing of contribution increases, with the employer paying only their minimum, and the staff contribution shown in brackets (the difference between the total minimum and the employer minimum).

Further details about auto-enrolment can be found at: http://www.thepensionsregulator.gov.uk/en/employers.

Date effective	Employer minimum contribution	Total minimum contribution
Currently until 5/4/2018	1%	2% (including 1% staff contribution)
6/4/2018 – 5/4/2019	2%	5% (including 3% staff contribution)
6/4/2019	3%	8% (including 5% staff contribution)

Tax return deadline fast approaching

We are fast approaching the busy tax return preparation season, so if you use our tax return service then please send us your tax details as soon as possible in December to ensure you meet HMRC's **31 January** filing deadline.

We would like to have your tax return prepared in good time and ahead of the January rush, where possible.

Please feel free to contact a member of our personal tax team if you need help understanding or collating the information we need to deal with your return.

MCBRIDES
CHARTERED ACCOUNTANTS

McBrides Accountants LLP
Nexus House 2 Cray Road Sidcup Kent DA14 5DA
T: 020 8309 0011 F: 020 8309 7879
E: info@mcbridesllp.com W: www.mcbridesllp.com

Did you see our alert on VAT and online property searches?

In September, we published a special alert following news that north-west law firm Brabners was ordered to pay £68,000 of VAT not charged to clients on electronic local authority property searches. Law firms wanted to know what it meant for their property and conveyancing teams.

You can read our alert in the blog section of our website: **https://www.mcbridesllp.com/mcbrides-blog/vat-on-online-local-authority-property-searches.**

Brabners could appeal the decision at the Upper Tribunal and we'll update you as soon as there is any development in the case.

ILFM training dates

The Institute of Legal and Financial Management (ILFM) runs a range of one day or half day training seminars around the country on topics close to our hearts, such as the SRA Accounts Rules, COFA responsibilities and practice management. For more information regarding the training days, please visit the ILFM website: www.ilfm.org.uk.

McBrides' clients and contacts can obtain a 10% discount on ILFM one-day training seminars. To obtain the discount you must book four weeks in advance of the seminar date and quote 'McBrides' when booking.

Thursday 20 February	SRA Accounts Rules
Monday 19 March	VAT
Tuesday 10 April	SRA Accounts Rules
Monday 14 May	VAT
Tuesday 19 June	SRA Accounts Rules

McBrides Legal Services Team
Left to right:
Nick Luck, Andrew Fuller, Tanya Hamilton, Nick Paterno, Hannah Adams and Terry Baldwin

Important dates reminder

31 December deadline for practices with a 30 June year end to have their Accountants' SAR Report completed.

- Companies House accounts filing deadline for law firms trading as companies or LLPs with a March 2017 year end.

31 January Deadline for submission of LLP and personal tax returns for 2016/17.

- deadline for making tax balancing payments for 2016/17 and the first payment on account for 2017/18. (Don't forget to elect to reduce these 'POAs' if possible.)
- Companies House accounts filing deadline for law firms trading as companies or LLPs with an April 2017 year end.

31 March deadline for practices with a 30 September year end to have their Accountants' SAR Report completed.

6 April date when employers will be required to increase the amount of their contributions into their automatic enrolment pension scheme.