

# the Professionals

## SOLICITORS ACCOUNTS RULES (SAR)

If your law practice handles clients' money, you need to act in accordance with the Solicitors' Accounts Rules (SAR) and submit to the Solicitors Regulation Authority an annual Accountants' Report.

Any significant errors or recurring problems with this report could result in an investigation which may affect your PI premiums. Here are the **most common problem areas**:

- > Amounts being paid into the client account which are not allowed
- > Making withdrawals which are not permitted
- > Paying client receipts relating to unpaid professional disbursements (fees for a surveyor, estate agent, etc., instructed by the solicitor) into the office account
- > overdrawn client ledger accounts
- > designated deposit accounts not being included in ledger and omitted from the reconciliations

- > recurring adjustments
- > credit balances on the office ledgers
- > authorisation for withdrawals
- > billing and transfers from client account to office account
- > maintenance of central records
- > retention of paid cheques

For a SAR update and to ensure you are complying with the rules, please contact our team or book onto our workshop by using the enclosed faxback.



## Welcome

to The Professionals, our publication specifically for professional practices where we review the news, regulatory changes and opportunities affecting professional services firms.

**Robert Preece**  
Managing Director  
Tel: 029 2054 9939

## This issue focusses on:

- > SAR – COMMON PROBLEMS
- > PARTNERSHIPS AND STAMP DUTY LAND TAX
- > SHARE VALUATIONS
- > MERGERS & ACQUISITIONS

If you would like to suggest topics for future editions then please telephone Claire Griffiths on 029 2073 9424 or email [marketing@broomfield.co.uk](mailto:marketing@broomfield.co.uk).



## PARTNERSHIPS AND STAMP DUTY LAND TAX (SDLT)

Previously land transactions within partnerships were exempt from SDLT, but new rules now bring these transactions into the SDLT regime.

Unfortunately, the partnership model that the legislation is based on is a property investment partnership and not a trading partnership, which can cause some unusual results.

Fortunately, from 19 July 2006, the partnership SDLT rules will only relate to property investment and dealing partnerships and not to partnerships that own the properties from which they operate. The rules although applying to partnerships (including LLPs) assess partnership interests on the individual partners. So, where a commercial property is involved each partner has an exemption of £150,000.

The amount of SDLT liable is broadly based on market value where there is no family connection between the partners and on an actual consideration where there is family connection. The actual formula to calculate SDLT is very complicated and many tax specialists are divided on how the formula should be applied. SDLT is a relatively new area of law, with complicated issues and we strongly recommend you seek professional advice in all cases.

## SHARE VALUATIONS

Formal share valuations of private companies or valuation reports of unincorporated businesses are often highly subjective but essential for effective dispute resolution. Our valuation team is often called upon to provide appropriate valuations and to support them, if necessary, by giving expert evidence in Court. In these circumstances being able to draw upon extensive commercial experience is essential to the credibility of the valuation, and our expert reports.

Our valuation team can provide independent valuations to support Solicitors and their clients in areas such as:

- > shareholder dispute resolution, or for the purposes of divorce proceedings
- > Awarding shares under share option schemes or gifting shares to employees
- > Valuation for Capital Gains Tax purposes
- > 10-year anniversary or exit date valuations for Inheritance Tax purposes

Let us help you get the right outcome for your client. Call us now on 0800 052 1387 or email us at [professionals@broomfield.co.uk](mailto:professionals@broomfield.co.uk).

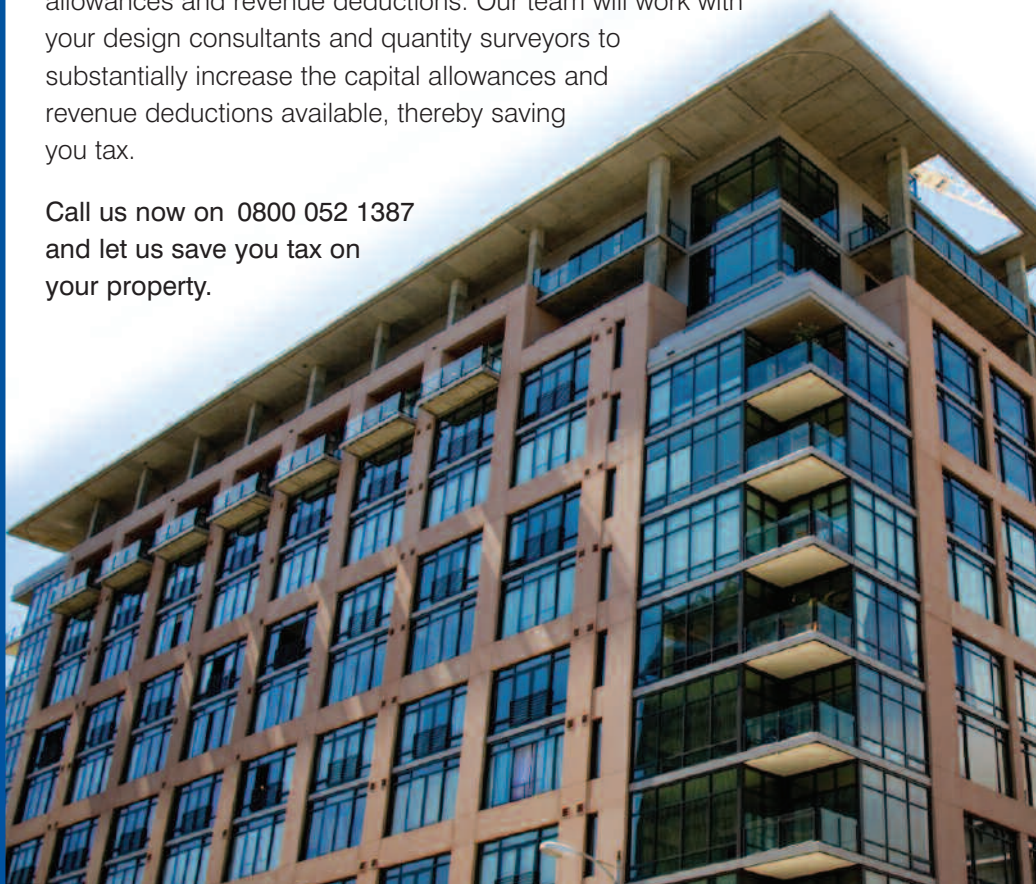
## MAKE THE MOST OF PROPERTY

Our last newsletter talked about using SIPP's to hold the partnership's office property in a most tax-efficient manner.

Property transactions often involve substantial sums of money and firms should be fully aware of the financial and tax issues and opportunities before committing to property.

Are you looking to purchase a new property? Then let us help you access funding to ease the cash flow. If you are looking to refurbish existing premises, then make sure you make the most of the tax breaks such as capital allowances and revenue deductions. Our team will work with your design consultants and quantity surveyors to substantially increase the capital allowances and revenue deductions available, thereby saving you tax.

Call us now on 0800 052 1387  
and let us save you tax on  
your property.



## MERGERS & ACQUISITIONS

Increasing specialisation and increasing regulatory burdens have resulted in an increase in mergers between small firms, and their acquisition by larger firms. Our team has advised on individual acquisitions, and is aware of practices within the Welsh region that are actively looking to expand by acquisition.

Whatever the reasons leading up to a change, we have experience of business valuations, which can help to smooth the process of achieving a fair result. In the case of a merger proposal, a great deal of careful investigation and planning will also be needed to ensure it is an operational success - we can advise on the wide range of issues involved in practice merger.

Would a merger suit your business strategy or help you exploit any business opportunities? Are you looking to sell or retire and would like help in meeting potential purchasers?

Call **Robert Preece** now on **0800 052 1387** for a confidential discussion on how we can help, and introductions to potential purchasers.



## IS LIFE TAXING ENOUGH?

You all work hard, and hopefully achieve financial success. But how do you reduce your personal tax burden, and keep a larger proportion of your rewards?

Our tax specialists use a number of legitimate tax planning measures to assist our clients in securing substantial tax advantages. We can also ensure partners arrange their personal affairs in a suitable manner, and take advantage of deductible investments (such as VCT's) and pension contributions.

Let us help you save tax now call us on 0800 052 1387 or email us at [professionals@broomfield.co.uk](mailto:professionals@broomfield.co.uk)

## MONEY...MONEY...MONEY...

Makes the world go round, but there are many different forms of practice finance. For example, capital assets require a different financing approach to working capital.

Appropriate finance for the appropriate asset is key. Offices may need commercial finance, IT equipment may need hire purchase or lease, whilst flexible options to finance debtors and general working capital are also available.

Our experienced team have successfully advised practices on a range of refinancing projects, using tax-efficient refinancing structures, to make better use of tax reliefs and to release partners personal funds.

Does your practice need cash? Then call our team now and we can review your current finance arrangements.



## OUR PROFESSIONALS TEAM



**Robert Preece**  
*Managing  
Director*



**Mike Buttigieg**  
*Manager  
Tax Team*



**Jane Mellor**  
*Assistant Manager  
Tax Team*



**Steve Bickerton**  
*Senior Manager  
Audit Team*



Pendragon House, Caxton Place  
Pentwyn, Cardiff, CF23 8XE

Tel: 029 2054 9939  
Fax: 029 2073 9430

Waters Lane Chambers  
Waters Lane, Newport, NP20 1LA

Tel: 01633 265828  
Fax: 01633 221457

[www.broomfield.co.uk](http://www.broomfield.co.uk)  
**0800 052 1387**  
[professionals@broomfield.co.uk](mailto:professionals@broomfield.co.uk)

## RICS RULES OK?

RICS the Royal Institute of Chartered Surveyors, are adopting a new 'principles-based' regulatory system. The former "Members Accounts Rules" are replaced by a single rule which states that "A Firm shall preserve the security of clients' money entrusted to its care in the course of its practice or business."

The approach to monitoring is also being revised. RICS are taking the

sensible step of monitoring the Firm's compliance with the rules, rather than that of its individual members or partners. The biggest single change is that an Independent Accountant's Report will no longer be required for any Firm with a 2007 accounting date - instead RICS staff will visit Firms periodically to ensure that clients' money is being appropriately safeguarded.

## MARRIAGE, SEPARATION AND DIVORCE

Are you dealing with a separation or divorce case? Are you aware of the capital gains tax and inheritance tax position following that divorce?

Married couples benefit from tax exemptions which mean that transfers of assets between UK domiciled individuals are not charged to Capital Gains Tax (CGT) or Inheritance Tax (IHT). However these exemptions and tax allowances change when a married couple separate or divorce, and these need to be taken into account when financial settlements are planned.

For example:

- > IHT exemption is not lost on separation but continues until the time of the Divorce, however the CGT exemption only applies to the tax year when the couple is married and living together at some time during the year.
- > When a married couple separate, the family home will cease to be the main residence for CGT purposes of the individual who leaves it. Therefore, subject to any available exemptions or reliefs, there may be a CGT liability if the family home is sold at a later date.
- > The CGT principal private residence exemption can be preserved on divorce if a Meshor Order is made. However, the changes to the IHT rules introduced in the Finance Act 2006 may have a tax effect on this treatment and need to be considered.

Good tax planning at the earliest possible opportunity in any marriage, separation or divorce cases can help your clients avoid a CGT liability.

**Call us now on 0800 052 1387 or email [tax@broomfield.co.uk](mailto:tax@broomfield.co.uk) and we can advise you and your clients.**

