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# Professional firms insight

## Professional and business services group - a leading voice

**There is a sector in the UK which acts as an important driver and conduit of innovation and change in the private and public sectors, arguably stronger than any other in a service driven economy. If you were thinking of the finance sector you'd be wrong. It is in fact the many professional and business services including legal, accountancy, property, consultants, architects, marketing, IT and shipping; whose services represent almost 20% of UK GDP.**

The importance of these sectors has been recognised in recent reports prepared, not only by the Department for Business, Innovation and Skills, but also most recently by NESTA ("Rebalancing Act") on how to rebalance the UK economy. With this mind, a group from a broad range of professional services firms has been established to act as a light touch, but effective, two-way channel with the government on key issues which are impacting upon these key sectors.

The purpose of the Professional and Business Services Group (PBS) is to:

- Consider the medium to longer-term trends impacting on the competitiveness of the professional and business services sector in the UK, taking into account London/UK-based factors and the sector-specific opportunities and challenges in overseas market liberalisation and regulatory/standards dialogue. The Group will produce a practical analysis on the basis of its examination of these issues, and a range of considerations that ought to be addressed. This analysis should enable the Government to prioritise the commercial challenges for the UK-based professional and business services industries and related public policy challenges.
- The Group will be a trusted forum for interaction with Senior Ministers and Government and generally both for swiftly escalating and explaining issues, whether of proposed UK legislation or regulation or from the EU or indeed other international factors (competition/restrictions/etc), and for Ministers and Senior Civil Servants to get swift and trusted input and advice from the Group on an immediate basis.
- Help to promote the interests and the knowledge of the professional and business services sector for the benefit of those firms operating in and for the UK economy.



### Chairman and Secretariat

The Group is chaired by Sir Michael Snyder, Senior Partner of Kingston Smith LLP and former Chairman of the Policy and Resources Committee at the City of London Corporation. Please let Michael know if there are any key issues you feel should be brought to the attention of the Group. His contact details are below.

The Secretariat will be run jointly between the Department for Business, Innovation and Skills (BIS) and Kingston Smith LLP with the utilisation of the resources and facilities of all members as well as engaging with professional bodies including the ACCA, ICAEW, ICE, The Law Society, MCA, RIBA, RICS and the FRC.

By Michael Snyder  
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## Impact of the emergency budget for professional firms

**George Osborne's "Emergency Budget" was rebranded the less alarming "June Budget" but the content remained serious. With the aim of balancing the books by 2016, the Chancellor set about maintaining the Conservatives' pre-election promise to clear the deficit with an 80:20 split between spending cuts and tax rises. In fact the new Office for Budget Responsibility predicts that the books will balance by 2015 - a year earlier than planned.**

In addition to large departmental spending cuts, we also saw public sector pay freezes and a range of freezes, caps and limits on various benefits.

On the tax side, corporation tax for larger companies will drop to 24% over the next four years and to 20% for smaller companies. Capital allowances and the annual investment allowance are down, from next April, so if you are planning any major capital spend you should ensure you do this before 5th April 2012 when the annual investment allowance comes down to £25,000 from the current level of £100,000.

Speculation was rife regarding the measures that would be introduced to raise the tax take with capital gains tax and VAT being high up the list and an initial reaction is that the increases are considerably less draconian than many were predicting.

A rise in capital gains tax for high income earners of 10% to 28% still leaves considerable opportunity for tax planning with the top rate of income tax and national insurance of 51% being 23% higher than the highest rate of capital gains tax. An increase of £3 million to £5 million in the lifetime allowance for entrepreneurs relief was unexpected and for those high earners hoping to make an eligible capital gain in the future, there is no increase in the total capital gains tax liability until gains exceed approximately £7.5 million.

So what does this mean for professional firms? Well certainly anyone involved in Public Sector and Local Authority work will be bracing themselves for cuts in existing and forthcoming contracts, with guidance already being received from Government departments regarding the need for cuts of up to 40% in some areas.

In the Private Sector most firms are still exercising great caution but there is some indication of movement in the job market with an increasing number of firms looking to take on new hires. The Corporate deal market has seen some improvement but most firms are reporting the need to work harder to convert new work which is being costed at keen fee levels.

While we all want to see if the double dip recession becomes a reality, professional firms need to continue to keep a tight rein on costs while asking more of their teams in terms of delivering excellent service to clients.

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## Alternative business structures – a revolution or damp squib?

**Alternative Business Structures (ABS) will in October 2011 become a reality. But what will reality look like and in particular, what will make an ABS an attractive proposition?**

I would suggest that the following two requirements among others will need to be met:

- a sensible regulatory regime which will create an even playing field for both the ABS model and existing law firms; and
- a business model which will provide for the aspirations of the greatest asset of any professional firm – its people.

### Regulation

We still do not know what the regulation of an ABS will look like. We do not even know the detail of the future regulatory compliance regime for existing law firms, as it is now changing (yet again), this time to 'outcomes – focused regulation'.

Will the regulators impose even tighter regulation on the ABS than on existing law firms? If so, what will that do for the appetite of potential investors in an ABS, or of other professionals considering multi – disciplinary practices with lawyers?

And who will regulate the multi-disciplinary ABS comprised of, for example, lawyers, accountants and surveyors? Any problems of 'regulatory arbitrage' will no doubt be sorted out between regulators!

A fair and stable regulatory regime, overseen by regulators in whom the 'regulated' can have trust and confidence, is likely for many to be a minimum requirement if an ABS is to be contemplated.

### Managing people's aspirations

There are clearly some types of law firms (the process - driven, consumer - based commodity firms) which are likely to benefit from the injection of large resource which an investor may be able to bring.



Many of these firms have been deliberately groomed over the past few years to attract outside investment and their businesses depend on an ever increasing use of IT to drive down the cost of their services. Often the equity owners are small in number, with high 'leverage', often comprised mainly of para-legals. This combination potentially creates interesting opportunities for investors who see synergy with their own businesses.

Compare on the other hand a commercial firm which may comprise a large number of equity partners (who are likely to want to take for themselves at least a part of any third party investment) together with a group of bright younger lawyers aspiring to become equity partners. Leaving aside the issue of whether such a firm could find a profitable use in the business for a large financial injection (many well run law firms require relatively low working capital), how will these ambitious younger lawyers, who may have another twenty five years of practice ahead of them, react to becoming employed middle managers in a business owned by tough, bottom line driven external investors?

The 'holy grail' for many lawyers is still to become an 'equity' partner in their law firm and a means of attracting and retaining such people in the business for the long term will need to be developed if they are not to leave for law firms which are better able to satisfy their career ambitions. Investors will in particular need to be clear as to where the goodwill of the business really lies – with those partners who may be cashing in their chips, or with a wider group of lawyers who may leave (with their client relationships) if not looked after in a way which meets their aspirations.

Perhaps the most beneficial effect so far of the ABS has been to make many law firms sit up and consider how they should compete in the future. The legal profession is highly fragmented, with most law firms lacking the resource to be competitive. A major consolidation between firms is required and arguably this should be a greater priority for the profession than the ABS. If large scale consolidation does occur, then the resulting well managed and resourced law firms may look at the ABS and see in it a useful vehicle to help them drive their own ambitions to achieve competitive advantage.

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## Salary sacrifice

**With the current ongoing economic difficulties many professional firms are looking at ways to enhance benefits to their employees without incurring significant costs. One such way of doing this is to provide employees with a 'salary sacrifice scheme' which provides both the employee and employer with National Insurance Contribution savings. In this article we look at how this can help with Pension contributions.**

### What is a salary sacrifice?

In simple terms, it is a method of optimising the tax effectiveness of the benefits package. A salary sacrifice happens when a member of staff agrees to reduced pay in return for the employer's provision of some form of non-cash benefit, e.g. a pension contribution. The "sacrifice" is achieved by varying the member of staff's terms and conditions of employment relating to pay. Where a member of staff agrees to a salary sacrifice in return for a non-cash benefit, they give up their contractual right to future cash remuneration.

### What does this mean for the employer?

An employer may currently subsidise a range of employee benefits and employees pay through net deductions. By changing these to a pre-tax salary sacrifice basis the employer and their employees will save National Insurance Contributions (NIC) on benefits that are tax exempt.

### Example:

The following table illustrates the effects and advantages of using salary sacrifice. The figures are based on an assumed employer and employee pension contribution of 5% of gross salary. Please note that these figures are designed to be a generic illustration only and do not constitute advice.

Figures below are based on Income Tax and National Insurance rates effective from 6th April 2010. The table takes into account basic rate Income Tax relief only where contributions are made from net pay.

### Summary

If the employee reduces their gross annual salary via a 'sacrifice' to £28,260.87 they will be no worse off in terms of take home pay. The employer reduces their NIC liability and, assuming this saving is invested as a pension contribution, the total pension investment increases by circa 15% (£461.74). The overall effect is cost neutral for both the employer and employee whilst enabling a greater level of pension investment.

For further information on these issues please contact Roger Cook of Kingston Smith Financial Advisers, on 020 8605 1213. Kingston Smith Financial Advisers is a trading name of Blacktower Financial Advisers Limited, which is authorised and regulated by the Financial Services Authority.

	Before salary exchange	After salary exchange
<b>Employee position</b>		
Assumed gross pay	£30,000	£28,260.87
Assumed personal allowance	£6,475	£6,475
Income tax	£4,705	£4,357.17
NIC	£2,671.35	£2,480.05
Net annual pension contribution	£1,200	Nil
<b>Net pay</b>	<b>£21,423.65</b>	<b>£21,423.65</b>
<b>Employer position</b>		
Gross pay	£30,000	£28,260.87
Employer NIC	£3,108.48	£2,885.87
Employer pension contribution	£1,500	£3,461.74
<b>Cost to employer</b>	<b>£34,608.48</b>	<b>£34,608.48</b>
<b>Effect on pension contribution</b>		
Employee pension contribution	£1,500	Nil
Employer pension contribution	£1,500	£3,461.74
<b>Total pension investment</b>	<b>£3,000</b>	<b>£3,461.74</b>

# Painless inheritance tax planning

**The problem with much inheritance tax (IHT) planning is that it requires things to be given away, and this may neither be convenient nor practical.**

Whatever your position, however, there are likely to be things that can be done. Set out below are some of the best ways to save inheritance tax whilst minimising the effect on your standard of living, some of which are fairly simple and some of which are more complicated. These suggestions are necessarily brief, so we would suggest advice is taken before implementing any of these.

- **Make use of your nil rate band**

Although its value may fall in real terms, (as it has been frozen at £325,000 until 2014/15) the nil rate band is still available and should be used as effectively as possible. You could consider making full use of the nil rate band by setting up a discretionary trust in your will; this could be set up for the benefit of your spouse, would “bank” your nil rate band, and would protect your assets for your ultimate beneficiaries from factors such as care home fees or remarriage.

- **Tenancy in common/Joint tenancy**

The way in which you and your spouse own jointly-held assets may not be of any practical consequence on a day-to-day basis, but may have inheritance tax consequences. If you are currently “joint tenants” of your home, your share will automatically pass to your spouse on death, whereas if you are “tenants in common” you can deal with your share as you see fit.

- **Don't waste the business and agricultural reliefs (BPR and APR) available**

Business property relief and agricultural property relief can be valuable, so you should make sure that where these are available, you take advantage of them. Leaving qualifying property to a spouse, leaving these as part of your residuary estate, or having liabilities secured against these assets, could all restrict the benefit of the reliefs.

- **Consider personally held investments that can be excluded from IHT**

There are numerous ways to hold assets that can qualify for BPR and APR which allows you to retain access to and control of investments, including the generation of income. This results in a 100% relief against IHT once the investment has been held for at least 2 years. The most common approach is to hold a portfolio of AIM stocks or to purchase woodlands. Other schemes will create trading entities, with little personal involvement needed and often with relatively low levels of investment risk.

- **Write death benefits into trust**

On your death, life assurance benefits and pension scheme death benefits should be subject to a trust which will allow the payment to be free of IHT. Further planning, using Bypass Trusts, can also ensure that the payments are not part of the estate of a surviving spouse or civil partner.

- **Asset freezing**

Can you keep future growth in your assets out of the reaches of inheritance tax? If you have any surplus capital, for example, you could consider lending this, interest-free, to your proposed beneficiary, or to a trust, redirecting the investment returns out of your estate. Alternatively, you could consider selling assets to a beneficiary or trust at market value, and thereby again redirecting any future growth in these assets.

- **Consider carefully how to purchase new assets**

If you are planning to purchase any new assets, you may want to consider whether you can make your children part-owners of these, either directly or indirectly. This could mean that you don't have to transfer these later, although care needs to be taken if reserving a benefit over these assets.

- **Regular gifts out of income**

Regular gifts out of income are ignored for inheritance tax purposes, so where you do make gifts you should try to structure these so they fall within this provision. If practical, you should try to establish a settled pattern of gifts, which are regular and similar in size. You should also ensure you are left with sufficient income to maintain your standard of living at the time of each gift, and keep records of the gifts you do make.



- **Your principal home - I**

Making a lifetime gift of your home, whilst continuing to live there, would potentially be a great way of avoiding inheritance tax, were it not for various anti-avoidance provisions. Giving away a share of your home to someone who co-occupies the house with you, however, is not caught by these provisions, and so if a child is living with you, and is unlikely to move out, you may want to consider giving them part of your home now.

- **Your principal home - II**

Although you cannot normally give away a share in your home and continue living there, can you exchange your share for an asset which you could give away? Selling a share in your home to your spouse, in exchange for a debt, would not have any inheritance tax or capital gains tax consequences – and you could then make a lifetime gift of the debt. Alternatively creating a debt on your estate by taking on a mortgage, with interest payments added to the debt, allows the amount borrowed to be used for effective IHT planning, without any impact on the borrower's standard of living.

- **Turning rental properties into business property**

Rental properties would not normally qualify for business property relief, but it may be possible to transfer value in your estate from rental properties, to an asset that does qualify for business property relief. You could do this by setting up a “lending entity” – structured to qualify for business property relief – and then getting this entity to lend the funds behind the rental properties.

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## Pros and cons of a professional firm incorporating as a limited company

**Traditionally, most professional firms have been structured as unincorporated partnerships, although following the introduction of the Limited Liability Partnership Act 2000 many sought to incorporate as LLPs.**

The advent of the new 50% additional rate of tax for individuals has made limited companies appear attractive again, however, and many professional firms are now considering this route.

LLPs and Limited Companies both afford limited liability protection for the owners of the business, and both come with public disclosure requirements. There are, however, a number of key differences between the two limited entities, and professional firms should think very carefully before committing to a company structure.

### Incorporation

Before looking at the two structures themselves, however, we need to consider the consequences of incorporation.

Whereas the transfer to an LLP is very straightforward, the transfer of a business to a company is a disposal for capital gains tax purposes. The parties to the transfer are likely to be connected, and so the proceeds of the disposal will be taken as the market value of the chargeable assets transferred.

Land and buildings, and goodwill, are the most common chargeable assets, and potentially sizeable gains might be realised on the transfer of these assets to a company.

It may be possible to claim “incorporation relief”, but often in practice a gain is realised, with the transfer consideration being left outstanding as a loan from the company to the partners. This does give rise to capital gains tax, but comes with the benefit that in future years the loan can be drawn down tax free.

### Changes in partners

Once incorporated, one of the key drawbacks of a professional firm trading as a limited company is the difficulty posed by incoming and retiring partners.

The members of a partnership or LLP can be changed very simply (subject to the provisions of the partnership agreement) whereas in a limited company, things tend to be more complicated.

Were a new “partner” to join a limited company he or she would need to acquire shares, and the vastly complicated employment related securities legislation would then need to be considered. On retirement, the individual would need to dispose of his or her shares, and this would involve either the remaining partners buying these shares or the company buying back its own shares; either way, there would be tax implications on the individual.

### Tax on profits

The main perceived benefit of trading as a limited company is the way in which profits are taxed.

Shareholders of a company are taxed only when they withdraw money from the business, and this can be very beneficial when compared to the fact that members of a partnership are subject to tax and NICs on the full profits of the business.

As to the numbers, the current applicable rates of tax are as follows:

- Members of a partnership are subject to tax and NICs at a combined rate of up to 51%;

- Companies are taxed at an effective rate of between 21% and 28%;

- Dividends withdrawn from a company are taxed at an effective rate of up to 36.1%.

Given the different rates and bands, a number of factors need to be considered when comparing the two business structures and the overall tax paid. When all the profits of the business are withdrawn, however, the company route only tends to be beneficial for individuals who pay tax at the highest marginal rate, and where the profits of the business are less than £300,000 per year.

### Conclusion

Each business’s individual circumstances should of course be considered separately, but in general a limited company will only be advantageous for a professional firm with profits of less than £300,000, and with no succession issues. Incorporation can create a loan which can be drawn down tax-free by the former partners, but this will only last for a short time and thereafter amounts withdrawn from the company will be taxable.

One of the key benefits of a company is the flexibility it gives in withdrawing funds, and a “best of both worlds” solution may be to put a limited company in place as a member of an LLP; this would allow excess profits to be kept in the company, but for all other profits to be extracted in the most efficient way possible. Businesses that are tempted by a corporate structure may want to consider this as an alternative.

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# Our Top 10 most common breaches of the solicitors' accounts rules and how to avoid them

In our experience, it is only on very rare occasions that our Solicitors' Accounts Rules (SAR) audits result in an unqualified Accountant's Report. We believe this is not surprising given the combination of the SAR's understandably strict requirements and the large volumes of transactions that are processed through the client accounts of the average law firm.

We have attended conferences where representatives of the Solicitors Regulation Authority (SRA) have made it clear that they share our view and in fact they are surprised that the proportion of submitted Accountant's Reports that are unqualified is as high as it is, as well as indicating that an unqualified Accountant's Report can prompt an SRA inspection. Therefore, it may be a pious hope to aim for an unqualified Accountant's Report but we thought it would be helpful to set out in the table below the ten most common breaches of the SAR we find in practice, together with our tips on steps you can take to try to avoid falling foul of them. If nothing else, this may reduce the number of breaches of the SAR reported on your annual Accountant's Report to a mere few!

No	Rule	Type of breach	Ways to avoid the breach
1	Rule 19(3)	<p>The 14 day rule (probably the most unpopular and most commonly breached of all the rules!).</p> <ul style="list-style-type: none"> <li>• Not transferring money earmarked for costs out of the client account within 14 days of giving or sending the client a bill of costs.</li> </ul>	<ul style="list-style-type: none"> <li>• Make it the responsibility of the accounts department to send out bills to clients and introduce a control whereby they won't send out the bill unless it is accompanied by a client to office account transfer request slip completed by the relevant fee earner.</li> <li>• Introduce a control whereby a member of the accounts department receives a daily report of all unpaid fee notes sent out in the last 5 working days where sufficient funds are held on client account to pay the fee note.</li> <li>• A common problem is that on certain matters such as probate cases express approval of the bill is needed from the client before the transfer can be made and this can take more than 14 days to receive. In such cases, a pro-forma or draft bill should be sent for approval and then a final VAT invoice issued once the client approval has been obtained.</li> </ul>
2	Rule 22(5)	<p>Debit or overdrawn client ledger balances</p> <ul style="list-style-type: none"> <li>• Making a withdrawal for a particular client in excess of the total balance held in all the solicitor's general client accounts for that particular client.</li> </ul>	<ul style="list-style-type: none"> <li>• Introduce a control whereby all client account payments cannot be sent out by the accounts department until the payment has been posted to the client ledger, and ensure the client accounting software either will not allow a payment to be posted if it would make the client ledger balance go overdrawn or produces a warning message.</li> </ul>
3	Rule 22(1)(c)	<p>Professional Disbursements</p> <ul style="list-style-type: none"> <li>• Not drawing and despatching a cheque or making payment in another way for professional disbursements before the reimbursement transfer is sent from client to office account.</li> </ul>	<ul style="list-style-type: none"> <li>• Introduce a selection of boxes for different reasons for the transfer on the client account to office account transfer request slips, one being reimbursement of a professional disbursement and an additional box for the fee earner to confirm that the office account cheque for the professional disbursement has been despatched.</li> </ul>
4	Rule 32(5)	<p>Chronological Order</p> <ul style="list-style-type: none"> <li>• Not posting transactions to client ledgers in strict chronological order.</li> </ul>	<ul style="list-style-type: none"> <li>• Issue instructions to all members of the accounts department who have responsibility for posting transactions to the client ledgers that they must be posted on the date of the transaction and updated on a daily basis.</li> </ul>

No	Rule	Type of breach	Ways to avoid the breach
5	Rule 14(3)	<p>Client Account Name</p> <ul style="list-style-type: none"> <li>The name of a client bank account not including the word “client” in full.</li> </ul>	<ul style="list-style-type: none"> <li>Use a standardised pro-forma letter that highlights that the account name must include the word “client” in full when instructing the firm’s bankers to open a new client account.</li> <li>Nominate a member of the accounts department to physically check the account name on the first bank statement received for a newly-opened client account.</li> </ul>
6	Rule 32(8)	<p>Paid and Unpaid Disbursements</p> <ul style="list-style-type: none"> <li>Not distinguishing between disbursements not yet paid at the date of the bill and paid disbursements on bills of costs.</li> </ul>	<ul style="list-style-type: none"> <li>Introduce a control whereby before the bills are sent out by the accounts department, a member of the accounts team checks all disbursements on bills to ensure whether they have been paid or not at the date of the bill and hence correctly designated on the fee note.</li> </ul>
7	Rule 32(7)	<p>Bank reconciliations</p> <ul style="list-style-type: none"> <li>On rare occasions, we have found firms not preparing reconciliations at least once every 5 weeks on their general client accounts.</li> <li>It is more common however for firms to either not carry out reconciliations for money held by solicitor-trustees in passbook-operated separate designated client accounts every 14 weeks or not preparing reconciliations for their designated deposit accounts every 5 weeks because they mistakenly assume the relaxation to 14 weeks applies to all designated deposit accounts.</li> </ul>	<ul style="list-style-type: none"> <li>The simplest way to prevent this breach is to adopt a rule that says that all designated deposit accounts have to be reconciled at the end of each month by a set number of working days after the end of the month and that the finance partner responsible for SAR compliance reviews and signs-off each reconciliation by a different set number of working days after the end of the month.</li> </ul>
8	Rule 14(4)	<p>Geographical Scope</p> <ul style="list-style-type: none"> <li>Opening a client account at a branch or head office of a bank or building society outside of England and Wales.</li> </ul>	<ul style="list-style-type: none"> <li>Introduce a control whereby all instructions to open new client bank accounts must be signed by either the Finance Partner or Chief Accountant, who should check that the instruction is not relating to a branch/head office outside England and Wales.</li> <li>Where a client insists their client money is held at a branch or head office outside of England and Wales, request the client gives these instructions in writing and these instructions are then filed on the client’s file. This client money will then be governed by Rule 16 – client money withheld from client account on client’s instructions.</li> </ul>
9	Rule 15(4)	<p>Residual Balances</p> <ul style="list-style-type: none"> <li>Not informing the client in writing at least once every 12 months of the amount of client money still held and the reason for the retention, following the conclusion of the matter.</li> </ul>	<ul style="list-style-type: none"> <li>Circulate lists of client ledger balances to all fee earners every 6 months to prompt them to review their clients and write to any where client money is still being held after the conclusion of the matter and request they all sign a declaration confirming they have written to all relevant clients.</li> </ul>
10	Rule 19(2)	<p>Issuing of Bills</p> <ul style="list-style-type: none"> <li>Not sending the bill of costs to the client before making the transfer from client to office account for that bill.</li> </ul>	<ul style="list-style-type: none"> <li>Introduce a box on the client to office account transfer request slip whereby if the transfer is in respect of a fee note, the fee earner (or a member of the accounts department where they are responsible for sending out bills) ticks the box to confirm the bill has been sent to the client.</li> </ul>

# Social media or social suicide?

**How many of you use Facebook, Twitter, Linked-in, Bebo or My Space? Social networking is a relatively new tool that opens up new and unique opportunities for individuals and businesses to network, market and share information. Organisations are increasingly making use of these, especially Linked In and Twitter.**

It also however presents opportunities for employees to misuse their time and to communicate messages that work against your organisation.

Most businesses have not yet included the proper use of social networking websites in their HR policies and it may now be time for this to be corrected.

### The issues

Content submitted by an employee on any of the social media platforms may have serious consequences for the organisation in which they work. Employers have become increasingly alert to this and are willing to act.

Most recently, an international law firm summarily dismissed one of its senior associates who published an erotic novel online. The employee has stated that she will pursue a claim against her employer for this. So, with this in mind, what effect could an employee's use of social networking sites have on your business? The possibilities for whistle blowing, attracting unwanted media attention and false advertising etc. are endless.

### Why not just restrict use?

A balanced view needs to be taken. Social media is not going to go away and, unless we want to miss out on interacting with the new generation of business people familiar with this form of communication, we must start thinking about how best to use it.

The way you are perceived on the Internet shapes public thinking about your organisation, products, employees, partners and customers. Your employees can also help shape your industry through interacting in social media. The benefits and the dangers however both need to be acknowledged.

Just restricting usage, in a blanket policy, may not be the answer. To use social media effectively however, decisions need to be made on who can use it as part of their job role, what you want communicated and what your objectives for this are. Just like any other marketing tool.



### A social media policy

A social media policy, as part of your IT policy, is now essential. Clear guidelines about how it should be used, what communications are and aren't acceptable, are essential in managing this positively and being able to take action against an employee if it is abused.

You may also need to consider monitoring social media to learn what your employees are sharing and saying about your organisation. Your internal HR policies remain in effect in both the physical and the web based workplace.

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