

How Professional Service Firms can work together on Tax/Legal matters+

A presentation by Tim Crosley
of Memery Crystal

16 October 2014



Agenda

- It could have been so different
- Multi-disciplinary GGI firms (at the conference)?
- A word on MDPs (advantages and challenges)
- How do accountants see lawyers (and vice-versa)? How do they see themselves?
- What do we have in common?
- Working together . why it is a good idea
- Working together . how to do it
- Case Study

It could have been so different

- Multi-disciplinary Partnerships (MDPs)
- Australia . %Incorporated Legal Practices+(ILPs) since 2001
- Germany . MDPs are common
- UK . %Alternative Business Structures+(ABSs) since 2007
 - Slow start and niche areas (e.g. personal injury)
 - Now PwC January 2014, KPMG October 2014
- The opposite . US (Sarbanes-Oxley Act 2002)
- Recent legislation/consultation on ABSs and relaxation on ownership of law firms in Spain, Italy, Portugal, Ireland and Greece (and probably more!)

Multi-disciplinary GGI firms?

From brief website research so probably incomplete (based on attendees at the conference)õ õ

- Barry Mendel Frank Group (Australia)
- Gehrke econ Group (Germany)
- Jakoby Dr. Baumhof (Germany)
- Miras Consultantá Fiscalá SRL (Romania)
- Munkert & Partner (Germany)
- Studi Legali e Tributari (Italy)
- WRT Revision und Treuhand (Germany)

MDPs - Advantages

- Creating value for clients+
- One stop shop+. all round business advisory services
- Internal cross-selling opportunities
- Back office/support staff cost savings
- Joined up approach to client services (and commoditisation opportunities?)
- Easier to raise capital/expand?
- Opportunities to attract the best talent to work for you (blended skill sets and more interesting career opportunities)

MDPs . Disadvantages/Challenges

- Different regulatory bodies and professional codes of conduct
- Conflicts (and perceived loss of independence) and confidentiality
- Integration (external): managing service quality and brand
- Integration (internal): mutual respect, knowledge sharing, integrated training and appraisal process, common system of reward and recognition, integrated management structure
- Cost (of integration and licenses/regulatory approval)
- Prohibition and legal restrictions . Sarbanes-Oxley etc

How do accountants see lawyers (and how do lawyers see themselves)?

- Legal principles and the rule of law
- Technical and detailed approach (too much?)
- Independence and confidentiality of advice (legal privilege in UK is for lawyers only . recent case law)
- Advocacy and negotiation/arbitration/mediation
- Drafting, implementation and project management

How do lawyers see accountants (and how do accountants see themselves)?

- Strategic and day-to-day (at the coalface) general business advisory
- Numbers, numbers, numbers (!)
- Objective approach (less over-technical? Not technical enough?!)
- Better understanding of clients' business needs?
- Weaker on drafting, implementation and detailed project management?

But what we have in common

- Excellent and pro-active client service
- Hard work
- Technical excellence and business intelligence
- Ethics and integrity
- Continuing professional development
- Mutual respect
- Value for money!

Working together . why it is a good idea

- Single transparent fee arrangement and timetable for clients
- Clients love the approach . each advisor used properly for their own skills
- Advisors not in competition with each other and nothing falls down the middle
- Can open mutual doors for both parties for new work and opportunities
- Good relationship from top to bottom, creates more cross-referrals and opportunities
- Result: tax department at Memery Crystal has worked on over 400 transactions as a joint venture approach with other professional service firms over the past 5 years with combined fees in excess of £15m

Working together . how to do it

- Who is engaging who?
- Bespoke (single) engagement letter? (Internal risk management procedure)
- Agreeing combined costs (overruns? abort fee?) . flexibility will be key to a long-standing relationship
- Recognising and establishing with absolute clarity different roles and responsibilities
- Ensuring best use of complementary skill-sets
- Respecting each other and never falling out (clients hate it)
- Keeping in touch and central point for client contact
- Agreeing timing and chronology

Case Study . Incentives Planning

- Small but growing IT services business looking to reward and keep its key management and wider staff
- Feasibility - joint approach : profit forecast, business plan, shareholders agreement detail, banking documents, company's constitutional documents
- Design - joint approach : listening to the business owners, key drivers, understanding and sharing knowledge of the business
- Tax - joint approach : risk appetite for tax mitigation, making full use of available techniques, correspondence with UK tax authority
- Valuation - accountants advised on current and projected equity values
- Accounting - effect on P&L of different arrangements
- Drafting and implementation - Lawyers at the forefront
- Communication to staff - joint and coordinated approach
- Result : one very happy client!

Questions/Comments?