

# **ANNEXES 1 - 5**

## **Annex 1 – Practising Certificate Fee Determination [2019]**

This determination is made by the Solicitors Regulation Authority Board under section 11 of the Solicitors Act 1974, paragraph 2(1)(b) of Schedule 14 to the Courts and Legal Services Act 1990, regulation 1.1 of the SRA Practising Regulations 2011, rule 1.1 of the SRA Application, Notice Review and Appeal Rules and regulation 7.7 of the SRA Authorisation of Individuals Regulations, with the approval of the Legal Services Board under section 51 of the Legal Services Act 2007.

### **Practising certificate fee**

1. The fee to be paid to the Law Society for each practising certificate issued will be £278 unless paragraphs 2, 3 or 4 below apply.

### **Newly admitted solicitors and returning to practice**

2. Subject to paragraph 3, any solicitor who applies for their first practising certificate during the practising certificate year commencing 1 November 2019 or any solicitor admitted prior to 1 November 2019 who has previously held a practising certificate and who returns to practice shall pay a fee in accordance with the following scale:
  - (a) Practising certificate issued 1 November 2019 to 31 December 2019 inclusive - £278
  - (b) Practising certificate issued 1 January 2020 to 31 March 2020 inclusive - £221
  - (c) Practising certificate issued 1 April 2020 to 30 June 2020 inclusive - £163
  - (d) Practising certificate issued 1 July 2020 to 31 October 2020 inclusive - £106

Paragraphs 2(b) to 2(d) do not apply if during the solicitor's last period without a certificate they undertook any duties which required a practising certificate.

### **Former registered European lawyers and former registered foreign lawyers**

3. A solicitor who has, at any time during the practising certificate year commencing 1 November 2019, registered or re-registered as a registered European lawyer or registered foreign lawyer and who applies for their first practising certificate shall be subject to a practising certificate fee of £0.

### **Maternity or equivalent leave provisions**

4. A solicitor who applies for a practising certificate during the practising certificate year 1 November 2019 to 31 October 2020 and who is on or has been on statutory maternity leave or a period of leave equivalent to statutory maternity leave within the previous practising year shall pay a fee in accordance with the following scale:
  - (a) Practising certificate issued 1 November 2019 to 31 December 2019 inclusive - £163
  - (b) Practising certificate issued 1 January 2020 to 31 March 2020 inclusive - £134
  - (c) Practising certificate issued 1 April 2020 to 30 June 2020 inclusive - £106
  - (d) Practising certificate issued 1 July 2020 to 31 October 2020 inclusive - £77

This scale does not apply if the solicitor received a reduction for their practising certificate in the previous year for the same period of statutory maternity leave or period of leave equivalent to statutory maternity leave.

### **Application to registered European lawyers**

5. The fee to be paid to the Law Society for initial registration or renewal of registration as a registered European lawyer shall be governed in all respects by the provisions of paragraphs 1 to 4 in the same way as the fee for a solicitor's practising certificate, and for this purpose:
- (a) references to a solicitor shall be interpreted as references to a registered European lawyer or to a European lawyer applying for registration, and references to practice as a solicitor shall be interpreted as references to the provision of legal services in the United Kingdom under, or in reliance upon, a European lawyer's professional title as such;
  - (b) references to practising certificates and the issuing of practising certificates, shall be interpreted as references to initial registration or renewal of registration in the register of European lawyers, and references to a first practising certificate shall be interpreted as references to a lawyer's first registration in the register of European lawyers;
  - (c) paragraph 3 shall apply to a European lawyer who has, at any time during the practising certificate year commencing 1 November 2019, registered or re-registered as a registered foreign lawyer and who applies for his or her first registration as a registered European lawyer.

### **Application to registered foreign lawyers**

6. The fee to be paid to the Law Society for initial registration or renewal of registration as a registered foreign lawyer shall, subject to paragraph 7 below, be governed in all respects by the provisions of paragraphs 1 to 4 in the same way as the fee for a solicitor's practising certificate, and for this purpose:
- (a) references to a solicitor shall be interpreted as references to a registered foreign lawyer or to a lawyer applying for registration as a registered foreign lawyer, and references to practice as a solicitor shall be interpreted as references to the provision of legal services in England and Wales under, or in reliance upon, a foreign lawyer's professional title as such; and
  - (b) references to practising certificates and the issuing of practising certificates, shall be interpreted as references to initial registration or renewal of registration in the register of foreign lawyers, and reference to a first practising certificate shall be interpreted as reference to a lawyer's first registration in the register of foreign lawyers.
  - (c) paragraph 3 shall apply to a foreign lawyer who has, at any time during the practising certificate year commencing 1 November 2019, registered or re-registered as a registered European lawyer and who applies for his or her first registration as a registered foreign lawyer.
7. The fee for a registered foreign lawyer practising mainly from an office or offices outside England and Wales shall be £100.

## Interpretation

8. In this determination:

**Practising certificate** means the certificate issued in accordance with sections 9 and 10 of the Solicitors Act 1974;

**Practising certificate year** means the period from 1 November to 31 October inclusive each year during which a practising certificate is operative;

**Practising certificate fee** means the sum to be paid by a solicitor for a practising certificate for the whole or part of a practising certificate year;

**Practice as a solicitor** means the provision of legal services under, or in reliance upon, the title "solicitor" whether as a principal, under a contract of employment or under a contract for the provision of services;

**Registered European lawyer** means a European lawyer registered with the SRA under regulation 17 of the European Communities (Lawyer's Practice) Regulations 2000;

**Registered foreign lawyer** means a lawyer registered with the SRA under section 89 of the Courts and Legal Services Act 1990;

All other terms are to be interpreted in accordance with the SRA Handbook Glossary 2012 or, after 25 November 2019, the SRA Glossary.

10. The singular includes the plural and vice versa.

## Commencement

11. This determination shall come into force on 1 November 2019.

## **Annex 2 - Recognised Body and Recognised Sole Practice Fee Determination [2019]**

This determination is made by the Solicitors Regulation Authority Board under Rules 2.1 and 8.3 of the SRA Authorisation Rules 2011, rule 1.1 of the SRA Application, Notice, Review and Appeal Rules and rule 7.1 of the SRA Authorisation of Firms Rules, with the approval of the Legal Services Board under section 51 of the Legal Services Act 2007.

### **Initial Applications**

1. The fee payable by a body or sole practitioner applying for initial recognition as a New Firm is:
  - (a) £1,000 on applying for initial recognition to commence in the period 1 November 2019 to 31 December 2019;
  - (b) £800 on applying for initial recognition to commence in the period 1 January 2020 to 31 March 2020;
  - (c) £600 on applying for initial recognition to commence in the period 1 April 2020 to 30 June 2020;
  - (d) £400 on applying for initial recognition to commence in the period 1 July 2020 to 31 October 2020.
2. Where an initial recognition for a New Firm commences in a different period from the period in which the application was made, the fee payable under paragraph 1 shall be adjusted accordingly.
3.
  - (a) This paragraph applies when a body or sole practitioner is applying for initial recognition on or after 1 November 2019 in the following circumstances:
    - (i) the application is being made by an existing recognised body or recognised sole practice which is changing its legal status; or
    - (ii) the application is being made by a Successor Firm.
  - (b) Where in paragraph 3(a) the predecessor authorised body has paid a fee for the practising year 1 November 2019 to 31 October 2020, the fee shall be £200.
  - (c) Where in paragraph 3(a) the predecessor authorised body has not paid a fee for the practising year 1 November 2019 to 31 October 2020, the fee shall be determined in accordance with the following:
    - (i) in the case of a predecessor recognised body or recognised sole practice, paragraphs 4, 5 or 6, as appropriate, plus an additional application fee of £200; or
    - (ii) in the case of a predecessor licensed body, paragraph 5 of the Licensed Body Fee Determination 2016, plus an additional application fee of £200.

## Annual Periodical fees

*Recognised Bodies and recognised sole practices are required to pay annual periodical fees, calculated by reference to the firm's turnover, by the prescribed date which is 31 October in any year. The way that the annual periodical fee is determined will depend on whether the firm is a continuing firm, a new firm or a successor firm. Paragraphs 4 to 6 below deal with the way that the fee is determined in relation to each of those categories.*

4. The annual periodical fee payable by a recognised body or recognised sole practice where it is a Continuing Firm shall be determined by taking the Turnover Figure and carrying out the calculations in respect of the relevant band in accordance with appendix 1.
5. The annual periodical fee payable by a New Firm which first obtained authorisation after 31 October 2018 shall be calculated by taking the estimate of the Turnover Figure for the first 12 months of practice and carrying out the calculations in respect of the relevant band in accordance with appendix 1.
6. The annual periodical fee payable by a Successor Firm shall be determined by calculating the Successor Turnover Figure and carrying out the calculations in respect of the relevant band in accordance with appendix 1.

## Overseas Branch Offices

7. A recognised body or recognised sole practice which has one or more overseas branch offices shall pay an additional fee of £200 in respect of each overseas office.

## Application for the SRA to determine Successor Turnover Figure

8. Where a Notice of Succession does not include the agreement of all relevant firms to the apportionment of turnover, the Notice shall be treated as an application for the SRA to determine the relevant Successor Turnover Figure and the fee for the application is £250.

## Interpretation

9. In this determination:

**Continuing Firm** means a recognised body or recognised sole practice which is not a Successor Firm and in which:

- (a) the number and identity of the managers has not changed since 31 October 2018;
- (b) the only changes since 31 October 2018 in the number or identity of the managers are as a result of one or more managers leaving or joining the recognised body; or
- (c) the identity of the sole practitioner has not changed since 31 October 2018.

**New Firm** means a recognised body or recognised sole practice which obtained recognition after 31 October 2018 and is not a Successor Firm;

**Notice of Succession** means a notice required under Rule 8.3(f) of the SRA Authorisation Rules 2011 or rule 16.1 of the SRA Authorisation of Firms Rules;

**Successor Firm** means for the purposes of calculating the annual periodical fees, a recognised body or recognised sole practice which after 31 October 2018 succeeds to the whole or any part of any authorised body, for value or otherwise, in any of the following cases:

**case (I):**

a recognised body or recognised sole practice which acquires the whole or a part of one or more authorised bodies;

**case (II):**

a recognised body or recognised sole practice resulting from the merger between the whole or part of two or more authorised bodies;

**case (III):**

a recognised body or recognised sole practice remaining after it has split or ceded part of its practice to another authorised body;

**Successor Turnover Figure** means as set out in appendix 3;

**Turnover Figure** means as set out in appendix 2.

All other terms are to be interpreted in accordance with the SRA Handbook Glossary 2012 or, after 25 November 2019, the SRA Glossary.

10. The singular includes the plural and vice versa.

**Commencement**

11. This determination shall come into force on 1 November 2019.

**Annex 2 - Recognised Body and Recognised Sole Practice Fee  
Determination  
Appendix 1**

Turnover band	Turnover Range (A)	Pay %* of Turnover within band (B)	Minimum Turnover in band (C)	Minimum Fee in Band (D)
A	£0 - £19,999	0.71%	£0	£100
B	£20,000 - £149,999	0.42%	£20,000	£241
C	£150,000 - £499,999	0.40%	£150,000	£787
D	£500,000 - £999,999	0.39%	£500,000	£2,187
E	£1,000,000 - £2,999,999	0.37%	£1,000,000	£4,137
F	£3,000,000 - £9,999,999	0.25%	£3,000,000	£11,537
G	£10,000,000 - £29,999,999	0.21%	£10,000,000	£29,037
H	£30,000,000 - £69,999,999	0.19%	£30,000,000	£71,037
I	£70,000,000 – £149,999,999	0.17%	£70,000,000	£147,037
J	£150,000,000 +	0.07%	£150,000,000	£283,037

\* % is equivalent to 'divided by 100' (e.g. 0.42% = 0.0042)

Using the table above to calculate the firm fee based on the firm's turnover (T)

1. Identify the turnover value (T) and which corresponding band the turnover falls into from column A.
2. Subtract the figure in the corresponding column C from T for that turnover band.
3. Multiply this figure by the corresponding percentage in column B.
4. Finally add this figure to the corresponding figure in column D.
5. Firm fee then needs to be rounded to the nearest pound (i.e. if less than 50p then round down and if equal to or more than 50p then round up)

<b>Formula: (T - C) x B + D</b>
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Example 1: For Turnover of £0:  
 $(£0 - £0) \times 0.71\% + £100 = £100$

Example 2: For Turnover of £200,000:  
 $(£200,000 - £150,000) \times 0.40\% + £787 = £987$

Example 3: For Turnover of £813,421:  
 $(£813,421 - £500,000) \times 0.39\% + £2,187 = £3,410$

Example 4: For Turnover of £279,123,528:  
 $(£279,123,528 - £150,000,000) \times 0.07\% + £283,037 = £373,424$

## ***Annex 2 - Recognised Body and Recognised Sole Practice Fee Determination Appendix 2***

### **Turnover Figure**

The following paragraphs describe how the turnover figure that will be used for the purposes of determining the fee should be calculated:

1. Turnover figure means a firm's total gross fees arising from work undertaken from offices in England and Wales.
  - *Gross fees includes*: all professional fees of the firm including remuneration, retained commission, and income of any sort whatsoever of the firm (including notarial fees). Work in Progress (WIP) should be included.
  - *Gross fees does not include*: interest, reimbursement of disbursements, VAT, remuneration from a non-private practice source, dividends, rents, and investment profit.
2. The turnover figures that will be used when billing firms in October 2019 will be based on **closed accounts**, audited where possible.
  - Closed accounts are defined, in order of preference, as:
    1. an audited set of financial statements
    2. an unaudited set of financial statements signed off by an accountant
    3. a submitted tax return for the year.
3. Bad debt should be handled under normal accounting procedures. Where it has been allowed for in the turnover figure for a firm's last closed accounting period prior to 1 November 2018, that is acceptable. If a bad debt has been discovered after closing the firm's accounts, then the turnover figure cannot be re-adjusted. Those adjustments could potentially be accounted for in the following year's closed accounts.
4. The turnover figure should, wherever possible, be for the last complete (12 months) accounting period prior to the 1 November 2018 (e.g. 31 March 2018). The latest acceptable annual accounting period end date is 31 October 2018.
5. The turnover figure should be an exact figure wherever possible. A figure rounded to the nearest £1,000 will be acceptable only if more detail is unavailable.
6. Those firms who do not have closed accounts which ended within the period from 1 November 2017 to 31 October 2018, should provide the SRA with an estimate of the turnover figure as well as the previous year's turnover figure based on accounts which have been closed. The SRA will determine at its discretion whether to use the 2017 figure if an updated 2018 figure based on closed accounts has not been received by 31 August 2019.
7. The turnover figure must be for a 12 month period.
  - (a) For a brand new firm (i.e. not a successor firm nor one resulting from change in status), an estimate for the first 12 months of practice (irrespective of whether this is after 31 October 2018) will be accepted; the basis upon which the firm has made the estimate should be provided to the SRA.
  - (b) If a firm has changed its annual accounting period, its latest closed accounting period prior to the 1 November 2018 will be shorter or longer than

12 months. The following approach should be used by the firm, providing an explanation of how they have derived their turnover figure:

- Preferably, provide the turnover for the 12 month period immediately preceding the new accounting period end date (as long as prior to 1 November 2018)
  - Alternatively, if this is not possible then take the last closed accounts period prior to the 1 November 2018 and scale it appropriately (e.g. if the last closed accounting period was for six months then it should be doubled; if the last closed accounting period was for 15 months, then it should be divided by 15 and then multiplied by 12).
8. If a firm has a change in status (e.g. partnership to LLP, sole practitioner to partnership), then it should respond as if there were no change in status.

## ***Annex 2 - Recognised Body and Recognised Sole Practice Fee Determination Appendix 3***

### **Successor Turnover**

Successor turnover is relevant where firms have changed through, for example, an acquisition, merger or split. Certain firms affected are required to submit a Notice of Succession to the SRA with an agreed apportionment of turnover among the affected firms.

As guidance successor turnover shall be calculated based on the Turnover Figures for each of the affected firms.

If a firm has succeeded to the whole or a part of one or more firms (e.g. through merger or acquisition), successor turnover will be calculated by combining the appropriate proportion of the Turnover Figure for each of the affected firms which has become part of the successor practice:

- In a simple merger between firms A and B, combine the Turnover Figures for each firm.
- In a merger of one firm (firm A) with part of another firm (e.g. one third of firm B) then firm A should add the corresponding proportion of firm B's Turnover Figure to its Turnover Figure (e.g. firm A's Turnover Figure + third of firm B's Turnover Figure)

For a firm which has split or ceded part of their practice to another firm and wishes this change to be reflected in a successor turnover figure, the successor turnover figure will be a proportion of the Turnover Figure, as long as it is clear how the Turnover Figure for such a firm is to be distributed between the successor firms. 100% of the Turnover Figure must be accounted for between the successor firms. For example:

- In a merger of firm A with one third of firm B then
  - firm B's successor turnover figure will be two thirds of its Turnover Figure, Firm A's will be its Turnover Figure plus one third of B's Turnover Figure
- Where firm A and one third of firm B become new firm C
  - firm A's turnover will be £0 (closed) and B's turnover will be two thirds of its Turnover Figure. Firm C's successor turnover figures will be the combination of A's Turnover Figure and one third of firm B's.

In a case where all successor firms agree on the apportionment of 100% of the Turnover Figures, then the SRA will accept the successor turnover figures.

In the case where all successor firms are unable to agree the apportionment of 100% of the Turnover Figures, then the SRA will treat the Notice of Succession as an application for it to determine the Turnover Figure for the purpose of calculating the fees. The SRA will determine this apportionment based on the information available and its decision will be final.

## **Annex 3 - Licensed Body Fee Determination [2019]**

This determination is made by the Solicitors Regulation Authority Board under Rules 2.1 and 8.3 of the SRA Authorisation Rules 2011, rule 1.1 of the SRA Application, Notice, Review and Appeal Rules and rule 7.1 of the SRA Authorisation of Firms Rules, with the approval of the Legal Services Board under section 51 of the Legal Services Act 2007.

### **Initial Applications**

1. The application fee payable by a body applying for initial authorisation as a licensed body will be calculated as follows:
  - (a) an initial payment of £2,000, which is based on a day rate of £600;
  - (b) £150 in relation to each candidate subject to approval by the SRA under Part 4 of the SRA Authorisation Rules, excluding those deemed to be approved under Rule 13.2 of the SRA Authorisation Rules or under Part 4 of the SRA Authorisation of Firms Rules, excluding those deemed to be approved under rules 13.3 and 13.5 of the SRA Authorisation of Firms Rules;
  - (c) where the SRA's costs in considering the application exceed the amounts specified in (a) and (b) above then such additional costs will be charged at a day rate of £600;
  - (d) where the nature of the application means that the SRA has to seek external assistance, the full cost of that assistance will be charged;
  - (e) on initially considering an application, the SRA will notify those bodies whose applications it considers likely to exceed the amounts specified in (a) and (b) above and will indicate any additional sums payable in accordance with paragraphs (c) or (d) above;
  - (f) notwithstanding any additional sums notified under paragraph (e), the SRA may charge further additional sums in accordance with paragraphs (c) or (d) if unforeseen circumstances arise during the application process, however the SRA shall notify the applicant as soon as reasonably practicable as to the further liability to be incurred.
2. Appendix 1 contains information on the circumstances that may give rise to additional costs that may be chargeable under paragraphs 1(c) and (d) and the SRA may publish additional information from time to time.

### **Periodical fees**

*Licensed bodies are required to pay an initial periodical fee on authorisation which is calculated by reference to the firm's estimated turnover. Licensed bodies are also required to pay annual periodical fees by the prescribed date which is 31 October in any year. Paragraphs 3 and 4 below deal with the way in which the initial periodical fee will be calculated for the period which runs from 1 November 2018 to 31 October 2019 and paragraph 5 deals with the annual periodical fee.*

### **Initial Periodical Fee**

3. Subject to paragraph 4, the initial periodical fee payable by a licensed body shall be determined by:
  - (a) taking the estimate of the Turnover Figure for the first 12 months of business and carrying out the calculation in respect of the relevant band in accordance with appendix 2; and
  - (b) paying one twelfth of that amount in relation to each month or part of a month between the date of authorisation and 31 October 2020.
4. (a) Where a licensed body has succeeded to the whole of the practice of an authorised body the fee calculated in accordance with paragraph 3 shall be reduced by one twelfth of the firm fee already paid by the predecessor authorised body in respect of each month between the date of authorisation of the licensed body and 31 October 2020.
  - (b) Where a licensed body has succeeded to part of the practice of an authorised body the fee calculated in accordance with paragraph 3 shall be reduced as set out in paragraph 4(a) above but the reduction shall relate to such proportion of the firm fee as the SRA shall determine taking into account any Notice of Succession or other information.

### **Annual Periodical Fee**

5. The annual periodical fee payable by a licensed body shall be determined by taking the estimate of the Turnover Figure for the first 12 months of business or, where the licensed body became a licensed body before 1 November 2017, the Turnover Figure, and carrying out the calculation in respect of the relevant band in accordance with appendix 2.

### **Overseas Branch Offices**

6. A licensed body which has one or more overseas branch offices shall pay an additional fee of £200 in respect of each overseas office.

### **Interpretation**

7. In this determination:

**Notice of succession** means notice required under Rule 8.3(f) of the SRA Authorisation Rules or rule 16.1 of the SRA Authorisation of Firms Rules;

**Turnover Figure** means as set out in appendix 3.

All other terms are to be interpreted in accordance with the SRA Handbook Glossary 2012 or, after 25 November 2019, the SRA Glossary.

### **Commencement**

8. This determination shall come into force on 1 November 2019.

### **Annex 3 - Licensed Body Fee Determination: Appendix 1**

1. The initial payment of £2,000 includes the costs that the SRA will incur in reviewing the application and considering whether, and if so how much, additional time and external assistance will be required. At the end of the review the SRA will notify the applicant of additional sums payable under paragraph 1 (c) and (d). Such estimate may be exceeded if unforeseen circumstances require additional time or external assistance.
2. The following list contains indicators of circumstances relating to the applicant body that may lead to the SRA seeking further information and incurring additional costs:
  - (a) proposed outsourcing arrangements;
  - (b) proposed initial public offering;
  - (c) proposed franchise model;
  - (d) proposed multiple fee sharing and /or referral arrangements;
  - (e) proposed multi disciplinary practice, involving other regulators;
  - (f) the applicant is part of a group including other organisations or permitted separate businesses which could cross sell services and /or give rise to potential conflicts.

This list is not exhaustive.

3. The SRA estimates that a combination of indicators that includes one or more of (a) to (d) above (moderate complexity) may require an additional 15 days of cost and an approximate additional charge of £9,000.
4. The SRA estimates that a combination of indicators that includes one or more of (e) and (f) together with any of the other indicators (high complexity) may require an additional 30 days of cost and an approximate additional charge of £30,000.
5. Additional costs may also be incurred where candidates, or sources of funding are located overseas. This could include the use of specialised external agencies to provide detailed reports on foreign individual and corporate owner applicants and may cost between £3,000 and £5,000 dependent on the jurisdiction.
6. Additional costs may also be incurred where there are complex ownership structures which require investigation in order to identify all persons who hold a material interest.

### Annex 3 - Licensed Body Fee Determination: Appendix 2

Turnover band	Turnover Range (A)	Pay %* of Turnover within band (B)	Minimum Turnover in band (C)	Minimum Fee in Band (D)
A	£0 - £19,999	0.71%	£0	£100
B	£20,000 - £149,999	0.42%	£20,000	£241
C	£150,000 - £499,999	0.40%	£150,000	£787
D	£500,000 - £999,999	0.39%	£500,000	£2,187
E	£1,000,000 - £2,999,999	0.37%	£1,000,000	£4,137
F	£3,000,000 - £9,999,999	0.25%	£3,000,000	£11,537
G	£10,000,000 - £29,999,999	0.21%	£10,000,000	£29,037
H	£30,000,000 - £69,999,999	0.19%	£30,000,000	£71,037
I	£70,000,000 – £149,999,999	0.17%	£70,000,000	£147,037
J	£150,000,000 +	0.07%	£150,000,000	£283,037

\* % is equivalent to 'divided by 100' (e.g. 0.42% = 0.0042)

Using the table above to calculate the firm fee based on the firm's turnover (T)

1. Identify the turnover value (T) and which corresponding band the turnover falls into from column A.
2. Subtract the figure in the corresponding column C from T for that turnover band.
3. Multiply this figure by the corresponding percentage in column B.
4. Finally add this figure to the corresponding figure in column D.
5. Firm fee then needs to be rounded to the nearest pound (i.e. if less than 50p then round down and if equal to or more than 50p then round up)

<b>Formula: (T - C) x B + D</b>
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Example 1: For Turnover of £0:  
 $(£0 - £0) \times 0.71\% + £100 = £100$

Example 2: For Turnover of £200,000:  
 $(£200,000 - £150,000) \times 0.40\% + £787 = £987$

Example 3: For Turnover of £813,421:  
 $(£813,421 - £500,000) \times 0.39\% + £2,187 = £3,410$

Example 4: For Turnover of £279,123,528:  
 $(£279,123,528 - £150,000,000) \times 0.07\% + £283,037 = £373,424$

## Annex 3 - Licensed Body Fee Determination: Appendix 3

### Turnover Figure

The following paragraphs describe how the turnover figure that will be used for the purposes of determining how the periodical fee should be calculated:

1. Turnover figure means a firm's total gross fees arising from regulated activities undertaken from offices in England and Wales.
  - *Gross fees includes:* all professional fees of the firm including remuneration, retained commission, and income of any sort whatsoever of the firm (including notarial fees). Work in Progress (WIP) should be included.
  - *Gross fees does not include:* interest, reimbursement of disbursements, VAT, remuneration from a non-private practice source, dividends, rents, and investment profit.
2. Applicant bodies are required to provide an estimated turnover figure in the application and the SRA will seek information to support the figure and explain the basis on which the body has made the estimate during the authorisation process. Where the applicant body is succeeding to any legal practice carried on by a recognised sole practitioner, an authorised body or to a previously unregulated legal services business then the historic turnover figures for such businesses will be relevant in validating the estimated turnover for the new body.
3. The SRA may substitute an alternative estimated turnover figure for the purpose of the fee calculation where it reasonably considers that the estimated turnover figure produced by the applicant body does not fully reflect the true value of the legal services to be provided. The examples below indicate the sort of circumstances in which such a substitution may be made:
  - (a) The licensed body is part of a group of businesses which provide a range of services some of which may be bundled with legal services, where the legal services may be offered at a reduced rate or as a "free" service.
  - (b) The licensed body is part of an insurance company where some of the legal services may be supported by premium funding, rather than fee income.
  - (c) The licensed body provides a mix of regulated activities and other activities which are either unregulated or regulated by other regulators, and the services provided may include a mix of such activities which may be bundled as in (a) above.

In these cases the SRA will seek further information to help it determine a fair estimate and will seek to agree the figure with the applicant body but in the absence of such agreement the SRA's decision shall be final.

4. A licensed body will have provided an estimated turnover figure for the first 12 months of trading during the application process. This estimated turnover figure will be used to determine the annual periodical fee payable by the licensed body. In some cases, the SRA may have chosen to substitute an alternative estimated turnover figure in the circumstances outlined in paragraph 3 above to ensure the estimated turnover reflects the true cost of legal services being provided. This figure will have been communicated to the applicant prior to the licence being granted. In

such cases, the revised estimated turnover figure will be used to determine the annual periodical fee payable by the licensed body.

5. Where a licensed body became a licensed body before 1 November 2017, the turnover figure should no longer be estimated. In such cases, the turnover figures that will be used when billing firms in October 2019 will be based on **closed accounts**, audited where possible.
  - Closed accounts are defined, in order of preference, as:
    1. an audited set of financial statements
    2. an unaudited set of financial statements signed off by an accountant
    3. a submitted tax return for the year.
6. Bad debt should be handled under normal accounting procedures. Where it has been allowed for in the turnover figure for a firm's last closed accounting period prior to 1 November 2017, that is acceptable. If a bad debt has been discovered after closing the firm's accounts, then the turnover figure cannot be re-adjusted. Those adjustments could potentially be accounted for in the following year's closed accounts.
7. The turnover figure should, wherever possible, be for the last complete (12 months) accounting period prior to the 1 November 2018 (e.g. 31 March 2018). The latest acceptable annual accounting period end date is 31 October 2018.
8. The turnover figure should be an exact figure wherever possible. A figure rounded to the nearest £1,000 will be acceptable only if more detail is unavailable.

## **Annex 4 - Determination of Compensation Fund contributions [2019]**

This determination is made by the Solicitors Regulation Authority Board under rule 2.3 of the SRA Compensation Fund Rules 2011 and rule 1.2 of the SRA Compensation Fund Rules, with the approval of the Legal Services Board under paragraph 19 of Schedule 4 to the Legal Services Act 2007.

- (1) Every person who applies for a practising certificate to commence on or after 1 November 2019, or who applies for initial registration or renewal of registration as a registered European lawyer or registered foreign lawyer to commence on or after 1 November 2019, shall pay with the fee payable in respect of that application, a contribution of £60 to the Fund.
- (2) Every recognised body or recognised sole practice that has held or received client money (as defined in the SRA Accounts Rules 2011) during the period 1 November 2018 to 31 October 2019, shall pay with the annual periodical fee, a contribution of £1,150 to the Fund.
- (3) Every person that:
  - (a) applies for initial recognition as a recognised body or initial recognition as a recognised sole practice to commence during the period 1 November 2019 to 31 October 2020; and
  - (b) intends to hold or receive client money (as defined in the SRA Accounts Rules 2011 or, after 25 November 2019, the SRA Accounts Rules) at any time during the period 1 November 2019 to 31 October 2020.

shall pay with the fee payable in respect of that application, a contribution to the Fund as follows:

- i. £1,150 on applying for initial recognition to commence in the period 1 November 2019 to 31 December 2019;
  - ii. £863 on applying for initial recognition to commence in the period 1 January 2020 to 31 March 2020;
  - iii. £575 on applying for initial recognition to commence in the period 1 April 2020 to 30 June 2020;
  - iv. £288 on applying for initial recognition to commence in the period 1 July 2020 to 31 October 2020.
- (4) The SRA may waive the contribution payable under paragraph (3) above in circumstances where the initial application is made by a body which is changing its legal status or is succeeding to the practice of another authorised body and the predecessor body or practitioner has already paid a contribution to the Fund.
  - (5) In this determination:

**Fund** means the Solicitors' Compensation Fund established and maintained under rule 2.1 of the SRA Compensation Fund Rules 2011 or, after 25 November 2019, rule 1.1 of the SRA Compensation Fund Rules;

All other terms are to be interpreted in accordance with the Practising Certificate Fee Determination 2019.

- (6) This determination shall come into force on 1 November 2019.

## **Annex 5 - Determination of Compensation Fund contributions for Licensed Bodies [2019]**

This determination is made by the Solicitors Regulation Authority Board under rule 2.3 of the SRA Compensation Fund Rules 2011 and rule 1.2 of the SRA Compensation Fund Rules, with the approval of the Legal Services Board under paragraph 19 of Schedule 4 to the Legal Services Act 2007.

- (1) Every licensed body that held or received client money (as defined in the SRA Accounts Rules 2011) at any time during the period 1 November 2018 to 31 October 2019, shall pay, with the annual periodical fee, a contribution of £1,150 to the Fund.
- (2) Every licensed body that intends to hold or receive client money (as defined in the SRA Accounts Rules 2011 or, after 25 November 2019, the SRA Accounts Rules) at any time from the date on which the body is authorised to 31 October 2020, shall pay, with the initial periodical fee, a contribution to the Fund as follows:
  - i. £1,150 on applying for initial recognition to commence in the period 1 November 2019 to 31 December 2019;
  - ii. £863 on applying for initial recognition to commence in the period 1 January 2020 to 31 March 2020;
  - iii. £575 on applying for initial recognition to commence in the period 1 April 2020 to 30 June 2020;
  - iv. £288 on applying for initial recognition to commence in the period 1 July 2020 to 31 October 2020.
- (3) The SRA may waive the contribution payable under paragraph (2) above in circumstances where the initial application is made by a body which is changing its legal status or is succeeding to the practice of a recognised body or recognised sole practitioner and the predecessor body or practitioner has already paid a contribution to the Fund.
- (4) In this determination:

**Fund** means the Solicitors' Compensation Fund established and maintained under rule 2.1 of the SRA Compensation Fund Rules 2011 or, after 25 November 2019, rule 1.1 of the SRA Compensation Fund Rules;

All other terms are to be interpreted in accordance with the Licensed Body Fee Determination 2019.
- (5) This determination shall come into force on 1 November 2019.