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**DUCKETTS**  
 TRUSTED ADVISORS

## February 2005 Newsletter

### *Taxed-out special*



#### Film of the month

I thought a change of media might be appropriate. Anyway, I was encouraged along to the pictures to watch Dennis Quaid in "In Good Company" and was amazed by the damning indictment of US big business that unfolded. For starters, the (anti)hero was a 26 year old (who had made his name selling mobile phones to the under 5s) and was put in charge of the business for which Dennis Quaid was the sales director. Owner worship was mandatory and pursued with religious zeal. Nearly all of the existing staff were "let go" as the new management cut costs in order to achieve the profit levels that had been predicted on purchase (due to synergy).



But there was a happy ending when DQ showed the young buck that he knew a thing or two about relationship selling. But what really upset me was the way in which they not only kept their jackets on, they actually did up all the buttons. At least sartorial elegance still reigns supreme in Hereford.

#### I'm not home right now, but...

Technology breakthrough of the month is the invention of the dog-phone. In other words, some bright spark has stuck a mobile phone onto a dog collar. The opportunities are almost limitless:

- People with no friends or family (solicitors & estate agents?) can now call the dog, in a very loud voice and tell him that they are on the train and will be home in 20 minutes.
- Amorous Yorkshire terriers who have been over friendly with the cushion have no excuse for failing to phone afterwards.
- Dog phone-ins will be a breeze.
- The dog can answer the phone if you are driving etc etc

Further suggestions to  
[shaggydogideas@chrisduckett.co.uk](mailto:shaggydogideas@chrisduckett.co.uk)

## Supply & demand

When I first went to the States as an impecunious student, we were advised that, in dire emergency, you could raise cash by giving serum or semen. 20 years on, its semen that's in short supply as rules are coming through which prevent anonymous donation. For no apparent reason, this doesn't bother the Danes (tall and blond with blue eyes) who are now the world's biggest exporters of the commodity. I thought I ought to set a test for the Boy Scout. How would he market this commodity? How would he add value? Maybe it's all in the service? £50 a shot. Don't leave your phone number.

## Cisco phone over internet

I've been looking at the systems available for video conferencing over the net and the potential to transfer telephone calls down this route. The Cisco site goes to town on these issues and there are some sensible case studies. However, as far as I can make out, it's not cheap and you need fast broadband.

[www.cisco.com/uk/believeyoureyes](http://www.cisco.com/uk/believeyoureyes)

## Charity Commissioners get tough

I've not been over-impressed with my dealings with the Charity Commissioners. They seem to have trouble seeing the wood for the trees. However, I was bemused to see that they had publicly berated Jemima Khan's charity for failing to deliver accounts. Ms Khan patently had no idea what was going on and the charity administrator said something to the effect that they were "in the post". I'm still waiting for evidence that the CCs can tell incompetence from fraud. And the website is a masterpiece of bureaucracy [www.charity-commission.gov.uk/](http://www.charity-commission.gov.uk/)

## Climate change

You may ask why on earth I've got a piece on climate change in the newsletter. Well, in principal, tax and accounting systems will have to change to cope with the shift in climatic conditions. In reality, there are some good weblinks:

[www.phenology.org.uk](http://www.phenology.org.uk)

[www.bbc.co.uk/science/hottopics/climatechange/greenhouseeffect.shtml](http://www.bbc.co.uk/science/hottopics/climatechange/greenhouseeffect.shtml)

[www.biodiversityhotspots.org](http://www.biodiversityhotspots.org)

## Wages of sin

According to Europol, a life of crime is now a viable career alternative for upwardly mobile accountants. [Mind you, we've seen some criminally bad sets of accounts over the years.] It appears that organised crime is now using accountants, as the business is more complex and spread out than it used to be and also involves legitimate company structures. At least, I think that's what it says

[www.europol.eu.int/publications](http://www.europol.eu.int/publications)

Incidentally, the UK now has its first vegetarian accountancy practice.

## RSS (not a limp wrist)

Really Simple Syndication or Rich Site Summary

If it's too much trouble to check your favorite websites for the info you want, various sites exist to pull together and summarise news and information for you. You only need to read about things (you know) you are interested in.

[www.feedster.com](http://www.feedster.com)

[www.news.bbc.co.uk/1/hi/help/rss/3223484.stm](http://www.news.bbc.co.uk/1/hi/help/rss/3223484.stm)

[www.newsisfree.com](http://www.newsisfree.com)

[www.syndic8.com](http://www.syndic8.com)

Of course, there is a theory which says that the less you know about what's going on, the happier you will be?

## WIP valuations

Changes to an extremely obscure piece of accounting standard appear to have given the Revenue an unexpected windfall by increasing tax on firms of accountants and solicitors. The problem centres around the valuation of work in progress at selling price rather than cost (timing of revenue recognition). Experts now seem to be taking the view that the rules haven't actually changed at all, so we can all stop worrying.

## More changes for the Construction industry

The Revenue really dislikes the construction industry, thanks largely to appalling bookkeeping (fraud?) and links to the black economy. It therefore views all sub-contractors as employees on principal. The current CIS scheme only came into force in November 2002 and has never really achieved its aim. Hence the changes to be brought in for 2006. Effectively, you will have to ask the Revenue to confirm the status of each and every subcontractor before you pay him. Given the current levels of understaffing at the Revenue, this sounds like an accident ready to happen. Sparkle has more information, but they haven't made up the details yet. The most interesting development is the proposed internet-based interactive "tool" (ie list of questions) to determine whether or not a subcontractor is actually an employee. Doubtless it will take about a month before the industry works out which are the "right" answers.

## Tax schemes

The accountancy profession is generally feeling under pressure due to increased compliance (money laundering rules and new international accounting standards) and rising competition. Apparently, (only) 40,000 Chartered Accountants drink more than they should and the female suicide rate is 3 times the national average. However, they probably bring most of the trouble on themselves. The best example of this is the new requirement to advise the Revenue of "tax avoidance" schemes. Obviously, one man's "avoidance" is another's "tax planning", so to be on the safe side, the big firms have all reported one another's schemes to the Revenue. Perhaps the Revenue should send all the tax partners to Brat Camp, at least once they've stopped laughing.

## Arctic to go to appeal on 15th March

The settlements debate is still rumbling on. This is the deal where the Revenue wants to treat dividends paid to the wife as taxable on the husband. The High Court appeal is due to be heard in March, but we will no doubt have to wait ages for the judgement itself.

## Tax investigation insurance

As (over-) regulation eventually spreads to all businesses, it's now the turn of the insurance industry to get clobbered. The knock-on effect is that we can't offer tax investigation insurance to our clients in a direct manner; it has to be far more complicated than that. This is actually a shame as uptake has increased and we've had several cases where the cost-cover has allowed us to take a harder line with the Inspector. Incidentally, word has it that the Revenue will be going for bigger penalties (which can be tacked on at the end) when they do find something wrong, even on technical issues. This will make it more important than ever to defend enquiries in a robust manner.

## Pensions

The industry is getting very excited about the changes that are coming in next year (new red braces all round?); particularly the ability to buy residential property into pension schemes. [This could provide a boost to the housing market?] Of course, the fine print hasn't been written yet, so there's plenty of time for it to go horribly wrong. We understand that the ability to throw contributions back into the previous year is also on the way out. This is relevant to pre-5<sup>th</sup> April 2005 planning, assuming people still put money into pensions. I'm just glad I don't give advice on the subject.

## The accidental guru

I recommended Malcolm Gladwell's "The Tipping Point: How Little Things Can Make a Big Difference" some time ago, before, in fact, I realised that it was a bestseller in the States. Gladwell is a journalist rather than an academic, but his ideas have been seized upon by the marketing men ("influencer relationship management") and taught in business schools. The concept I liked best was the principle that business units can only work efficiently if they don't get too big so as to become impersonal. WL Gore was the example. Or did he make it up? Anyway, his next book is now out – "Blink: The Power of Thinking Without Thinking". How very Zen.

[www.fastcompany.com/magazine/go/open\\_gladwell.html](http://www.fastcompany.com/magazine/go/open_gladwell.html)

## Employment law

Just as I was thinking it was safe to employ people again, along comes another employment law update from Sophie. And, of course, it's all doom and gloom => discrimination here; compensation there; tribunals every(bloody)where. I'm sure Sophie would be happy to send you her ray of sunshine direct if you want her to

[sophie@gabb.co.uk](mailto:sophie@gabb.co.uk)

Pay your tax by the end of the month, if you haven't already done so.

## Disclaimer

For every management theory, there is an equal and opposite one that sounds equally plausible. Gurus' Second Law?



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