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DUCKETTS
 TRUSTED ADVISORS

September
 2005
 Newsletter

Rum, sodomy and the lash. Yes, you've guessed it; the result of our visit from the Institute is a navel (gazing) special.



Fame and fortune at last?

The newsletter has reached a new audience after its inclusion in Mike Pegg's e.zine on

<http://www.thestrengthschronicle.com/>

Most impressively, he agreed to use a picture of me that's 25 years old. When I still had hair, in fact. Comment not required.

This is just subversive

<http://www.socialscrutiny.org/fine.php>

Compare & contrast?

IHT changes

This may be out and out scare-mongering, but there was a big article in the technical press about the government's plans for inheritance tax (IHT). It seems that the target for this tax is to increase revenue from £3m to £10m a year. To do this, they will need to bring back those textbook penalties from long ago; capital transfer tax and wealth tax. Presumably, the pips will squeak again?

Returns on line

Ms Sparkle advises me that tax returns are going down the wire quite happily at the moment and refunds are being made instantly. However, as I've always warned, this gives the Revenue longer to look them too. Apparently, 10% of investigations are started before the January deadline when the previous year is still open. If a return is filed on paper in late January, it doesn't even get processed until April/May thereby reducing the enquiry window. Which would you prefer?

Whining Wall

I spend 50% of my professional life listening to clients whine and the other 50% giving them something to whine about. I felt I ought to provide the opportunity for some whining in public. Remember, life's not fair. Get used to it. Don't sue me.

Women on top

I can't get very excited about the concept of "blogging" in general and female blogging in particular. Never one to miss a bandwagon, I suggest you try these links via FastCompany:

<http://www.fastcompany.com/magazine/94/best-blogs-extra.html>

<http://www.fastcompany.com/magazine/95/design-strategy.html>

So what? Or am I missing something?

Motivation: The Futile Quest

Marketing case study; what about this for bullshit?:

"At no time in history has there been more motivational resources available to the modern manager. And yet, in spite of the dazzling array of *solutions* sold, employee morale has reached critical lows- with the majority of workers actually reporting that they hate their jobs. How did this happen? And more importantly, what can executives do about the crisis of employee discontent?"

In this incisive new work, former professor and current executive Kersten offers a devastating critique of the motivation industry and its complicity in the crisis. But more importantly, he offers to managers and executives everywhere a shockingly radical solution to the problem of employee motivation - one tested and perfected within the confines of Despair, Inc. itself."

<http://www.despair.com/artofde.html>

HMRC prosecuting "small fry"

Since Lord Grabiner told HMRC not just to prosecute the so called "Big Fish" they have set up "Counter Fraud Groups" ("CFGs") for the express purpose of prosecuting non-compliant "customers" in cases where the tax allegedly at risk would have once been too small. The cut-off point is now as low as £1,500. There are 50-60 criminally trained investigators in the CFGs based in 6

locations. Since April 2000, the number of cases prosecuted by the Groups has risen by 500%. HMRC has won every case taken to court and sentences passed include imprisonment of up to three years

More worryingly for businesses, the CFGs are seeking to prosecute those they deem "collusive employers" who they allege under-deduct PAYE and facilitate claims to tax credits or benefits to which their employees are not entitled. Employers who turn a blind eye to false statements on P46s by employees, those who simply fail to spot "wrong" entries and even duped employers may end up being targeted by HMRC.

The "Good News" in all this is that HMRC has confirmed that it will not prosecute individuals who make an unprompted complete disclosure. Maybe.

Security is still a problem?

With all of the fuss about viruses & worms and the release of Windows Service Pack 2, I thought security was yesterday's issue. However, new patches are issued on a regular basis and figures from Microsoft suggest that half of all PC users are still on Windows 95 or 98. These ageing systems just cannot deal with modern worms. Or is this just a marketing ploy to sell new PCs? Anyway, for more advice, visit www.staysafeonline.info, a website backed by many of the biggest technology companies. A US focus.

IoD calls for retirement at 70

That last bastion of forward thinking, the Institute of Directors, has just decided to tell us that the retirement age is going to need to move to 70 shortly. I'm sure we've all worked that one out already. However, I am impressed that the French have come up with a new way of looking at the problem. They are offering a monetary incentive to women to have a third child so that there will be enough people in

work to fund the pensions of the people who came up with the idea. I'm sure Gordon could go one better and introduce a "Syn tax" at the same time?

Corporate lesson

[ie one of the jokes that's doing the rounds]

A crow was sitting on a tree, doing nothing all day.

A rabbit asked him, "Can I also sit like you and do nothing all day long?"

The crow answered: "Sure, why not." So, the rabbit sat on the ground below the crow, and rested.

A fox jumped on the rabbit and ate it.

Moral of the story: To be sitting and doing nothing, you must be sitting very high up.

Abbey Tax survey shows:

- The Revenue are still targeting small businesses
- Still mainly cash type trades
- The time to settle is getting longer

In 8 out of 10 cases the cost of the enquiry exceeds the additional tax etc. And nearly 50% of cases are settled for nil

However, the Revenue reckon that only 22% are nil settlements. Who do you believe?

International tax

It must be a quirk of human nature that you assume that governments in other parts of the world must somehow work more sensibly. And, of course, they don't. One of our globetrotting clients bought back an article from Canada discussing the merits of incorporation for professional firms and the possibilities of diverting income (via dividends) to wives. Not a mention of Art/s660/IR35, but exactly the same problem. Doubtless created by accident too.

Risky business

As any economist will tell you, profit is created by risk. So, business (and life) is all about risk management and there are consultants aplenty to split good risk from bad risk. Unfortunately, the whole thing is also exceptionally boring, but you might want to look at:

www.goodriskadvice.com

www.timesonline.co.uk/riskmanagement

Plenty of heavy-duty info on these 2 sites.

Accounting standards and tax

As you will have gathered, there is a lot of activity in the greater world of finance over the introduction of international accounting standards. Given that nobody actually reads accounts, who cares? Apparently, the taxman does. He now demands that all accounts (not just company accounts) are prepared in accordance with GAAP (generally accepted accounting principals). And the Revenue now employs 90 qualified accountants to police this line. However, it's a pick & mix policy: the deal is that tax rules over-ride accounts rules if they give (the Revenue) a better answer. Stand by for some esoteric arguments about valuation of work in progress. It's also rumoured that big companies will need to prepare one set of accounts under international standards for publication and another set under UK GAAP to satisfy the taxman. Presumably, only the directors get the "real" set?

Yet more leadership

I am vaguely aware of Lee Iacocca and the Great Chrysler Turnaround, but I'm never sure of what actually happened (or what went wrong next). The first part of the story seems to boil down as follows: By the early 1970s, the big 3 US car makers were deemed to be unstoppable. Profits were huge and there were no threats on the horizon. Then came the oil shock, which was initially thought to be a one-off event. However, the shock exposed the structural weaknesses in the big 3 and allowed the Japanese to establish a position. By 1980, Japan had become the largest car producer in the world and the 3 were making losses, \$1.7b in Chrysler's case. Then along came Iacocca with his promise to take a salary of \$1 pa until Chrysler was back in profit. Having solved the immediate cash crisis with a \$1.5b loan from the government, he rode the wave of change by:

- Copying Japanese manufacturing technology (something we're still doing)
- Ending continuous fighting with the unions – union representation on the board was a radical idea at the time
- Making the most of changing demographics – he bet the future of the company on the minivan/MPV just as the baby-boomers were starting families

Most importantly, he managed to do all 3 things at once. Now, this doesn't seem very hard, but it is more than the UK car industry was able to achieve. Iacocca went on to take himself far too seriously and the world has carried on changing.

"In their time: the greatest leaders of the 20th Century" by Mayo & Nohria

So fire me

One of the advantages of being the owner and boss of a small business is that there is nobody to fire me. In big business, no job is secure. So the story of how the CEO of Charles Schwab coped with being unexpectedly fired makes required reading:

www.fastcompany.com/magazine/98/pottruck.html

Do you feel sorry for him?

Litigation grows up?

As I've frequently advised, litigation is like marriage.

My advice is don't do it.

However, if you must go ahead, make sure the other side can afford the costs. So, is there an alternative to making aggressive solicitors even more wealthy? Yes, and it's called mediation. Suzanne Lowe has set up such a service in this area. Well worth a try.

www.talkmediation.co.uk

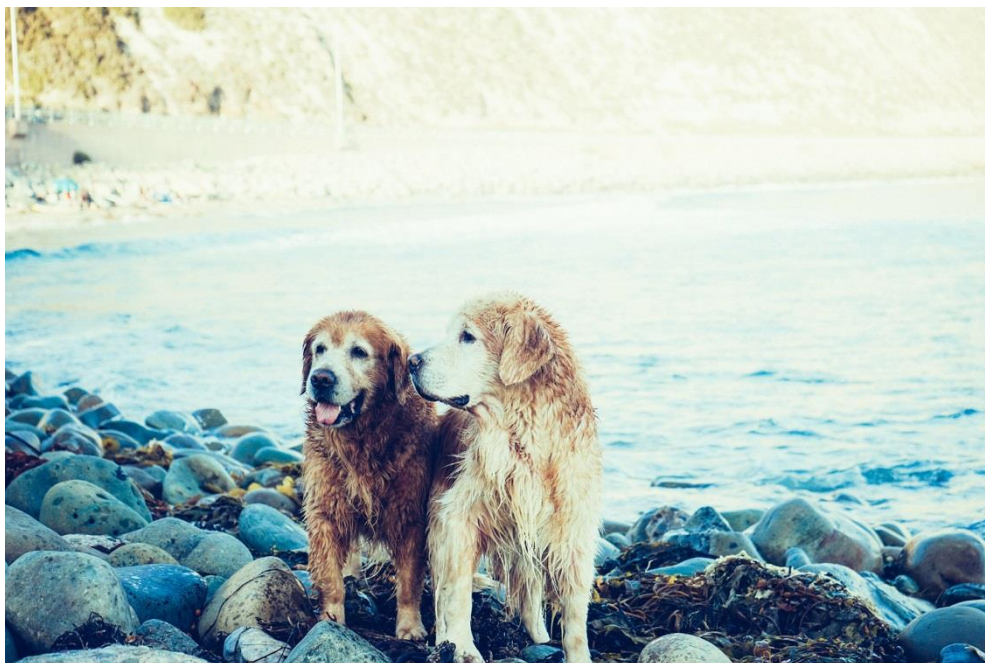
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"Salve lucrum". Any ideas?



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