



May 2009 Newsletter

Nothing to do with the budget special. No mention of the recession/credit crunch either.



Book of the month

"Wake up and smell the profit" by John Richardson & Hugh Gilmartin.

This is how it is in small business generally. If it's not working, it's your fault => so do something different.

www.thecoffeeboys.com

This web site puts the credit crunch in perspective.



Budget summary

Enough ink has been spilt on this subject without me joining in. As ever, most of the detail hasn't been written yet, so it will take a while to find out what was intended. The most high profile planning point is the new 50% tax rate, although the Treasury estimates that 70% of people currently earning at that level will find a way round it. Stand by for some big dividends this year?

The change that will effect many businesses is the introduction of a new 40% band of capital allowances for kit. This (temporarily) undoes the damage to capital intensive businesses that was delivered in the last budget. However, its now so complicated that the chance of us actually getting the comp right must be minimal.

Other tax stuff

The UK has 9,500 pages of primary legislation v 10,000 in India. But, 30,000 pages of secondary legislation (ie anti-avoidance) makes us the world leaders in tax legislation (as well as government debt). And I'm supposed to know it all?

With the PAYE year end returns now being filed, it's interesting to review the stats for tax returns. 5.8m Tax Returns were filed on-line compared with 3.8m last year.

37,500 of those went in between 4 & 5pm on Friday 30th January.

To be fair, the system held up much better this year.



Management quotes

Somebody sent me a long list of stupid management quotes. These are my three favourites:

"What I need is an exact list of specific unknown problems we might encounter." (Lykes Lines Shipping)

"E-mail is not to be used to pass on information or data. It should be used only for company business." (Accounting manager, Electric Boat Company)

"This project is so important, we can't let things that are more important interfere with it." (Advertising/Marketing manager, United Parcel Service)

Time to pay

When the government announced its scheme to allow businesses to pay tax slowly it inadvertently set up a new bank. We are routinely seeing (large) arrears of VAT and PAYE and, as you would guess, the Revenue's response to a deferral request is unpredictable (just like a real bank). They are currently asking for detailed cash flow forecasts/budgets without any way of ascertaining whether they are realistic. However, at 4% pa interest this is cheap money. Get it while you can.

Incidentally, when a business does go down the pan, HMRC is no longer a preferential creditor.

More pre-nups

I found this in a solicitor's newsletter, but I can't remember which one:

"The Privy Council has made legal history by ruling that post-nuptial agreements are legally binding as long as they meet certain criteria. The case before them, *MacLeod v MacLeod*, was a fiercely contested divorce case between a multi-millionaire property tycoon and his wife, whom he met when she was a student. The couple, who lived on the Isle of Man, had signed a pre-nuptial agreement on their wedding day in 1994 which they then amended twice after they were married.

In the landmark decision the Law Lords upheld the later agreements thereby changing the law to make post-nuptial agreements valid and enforceable."

Remember the old legal maxim: "Marriage is like litigation – don't do it. But if you must, make sure the other side can afford it."

Video conferencing

With the (very) gradual improvement in broadband speeds, videoconferencing is back on the agenda. This also appears to hit the other current objectives of reducing emissions and cost. If you wear the glasses, even 3D is possible.

<http://business.timesonline.co.uk/tol/business/entrepreneur/article5733568.ece>

There was something in the Budget about dramatically improving broadband speed, but you can be sure that this won't happen for Hereford in the near future. Apparently, South Korea has had a 2Mb service (10 times faster than our basic) for ages and this has made video piracy practically compulsory. Incidentally, I learned that "cloud computing" is a fancy term for web-based e.mail (like Google).

Back in Mac

Even the monstrous Microsoft monopoly can come unstuck when it stops listening to its customers. Whilst we've been complaining about Vista from the start (and routinely chose the XP "downgrade") the laptop using fraternity is voting with its feet and moving to Macs (this is hearsay). The cheapest Mac is about twice the price of a passable MS laptop, so it's all about ease of use and customer service. You can also have the Mac operate like a MS laptop anyway, so there's not much to lose.

But, Windows 7 is on its way, which will doubtless shake things up. The Empire Strikes Back?

Resilience and redundancy

One old concept to emerge from the credit crunch was that of business resilience. The more efficient a process/system becomes, the less likely it is to survive a shock. Where does duplication become inefficiency? One favourite consulting game is to look at business processes, figure out which are critical (and do KPIs) and then try to second guess what would happen if the process failed. If a failure results in disaster, then you need a backup. Unfortunately, there is a group of people (called accountants) who believe that if something can go wrong, it bloody well will. You can never have enough backup systems.

[The most important consulting game is to ask "What are customers really buying?"]

Encouragement

Some typically useful research has shown that encouragement makes golfers play better. I seem to recall my father telling me this in the early 1970s when he was coaching the cub football team.

<http://www.telegraph.co.uk/sport/5257059/Encouragement-improves-your-game-better-than-criticism-claim-scientists.html>

As the Sage of Bishopswood will tell you, some people want to know what they are doing right, whereas others prefer to know what they are doing wrong. The Art of Management is figuring out which person fits which type (whatever they may say).

<http://www.strengthsacademy.com/3-tips-for-the-art-of-encouragement>



Pension planning

Our Chinese aviation correspondent (Wecrash Youdie) has recently retired which gives him more time to think up creative solutions to problems outside his normal sphere of influence. His response to the government's scheme to pay to scrap cars over 10 years old was the idea that anybody retiring should be given a 750cc motorbike. The advantages would be:

- This would fix the shortage of spare body parts for surgery
- The motorbikes would be auto-scraping – why wait 10 years?
- Congestion would be reduced
- Annuity rates would improve

Very Logan's Run. Please could somebody give him a job.

I also understand that the life expectancy of a 65 year old male with no existing medical complaints is a further 30 years. Whilst there is some doubt about the statistics, at least I can't be accused of being a tight-fisted old git anymore?

The signs

In the course of newsletter research, I've recently read a book which details the 12 tell-tale signs to look for in a suicide bomber:

- The bomber will be wearing a big coat to hide the bulky bomb
- Robotic walk – a reasonable sized bomb weighs 40lbs and the bomber is likely to be drugged
- Irritability/sweating/tics/nervous behaviour - understandably
- Breathing verges on panting
- The bomber stares straight ahead
- And mumbles prayers – usually the lips are moving
- A large bag needs to be carried to contain the detonation equipment (including a gv battery)
- The bomber should have his/her hand in the bag (on the trigger)
- Male bombers are freshly shaved – removing beards makes them look less suspicious, but also white faced

What's really worrying is that this describes at least half of the attendees at the average accountancy seminar.

The other useful urban myth from this source relates to the Second World War. The Murmansk convoys supplied the Soviets with everything the Americans could give them. So, when they ran out of condoms, they duly sent a request for the 18 inch version. The Americans duly supplied the kit, stamped "medium".

Disclaimer

It is a truth universally acknowledged that a tax inspector in possession of records must be in want of more penalties.

As there is now a zombie version of Pride and Prejudice, I don't see why we shouldn't have a tax investigation version too. I know which is more scary. Or maybe a 3D porn version of the Budget. When would you duck?



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