



## March 2011 Newsletter

*Budget special. To be followed shortly by a Royal Wedding special.*



### Dash for cash

We're in the process of re-negotiating our fee protection scheme. [This covers our fees in defending you against an HMRC enquiry (of any sort) – once called Tax Investigation Insurance.] The accountancy world has seen a huge uplift in investigations in the last 12 months and our claims have tripled – hence the negotiation. The Taxman is now focussed on yield – getting the most tax for the minimum effort. This means that random enquiries are a thing of the past, but more successful businesses will get investigated more often.

In short, I think fee protection is well worth it. Remember, this is legalised extortion, not

some friendly check to make sure that your records are fine.

<http://www.chrisduckett.co.uk/taxinvestigation.html>

### Tax brief 2011

The Tax Team has produced its current view of changes in the (tax) world, the full text of which can be found on our website.

Not a huge amount has actually changed, but things that have been in the pipeline are now dropping in. The most significant item (from a planning perspective) remains the 100% allowances on kit up to a spend of £100k. This runs for another 12 months. Then it drops to £25k.



### Download Tuesdays

Have you ever wondered why techies always turn off the MS automatic download function on new PCs. The answer is that new systems are generally so bug-ridden that almost continuous upgrades are required. In the bad old days of really slow broadband (and still on Rotherwas), this meant that your PC could be locked for hours while the latest patch was installed. Microsoft responded by releasing upgrades on a Tuesday, at least giving those in the club some chance. Windows 7, here we come?



## Does marketing work?

Statistical research into the marketing of big consumer product brands shows that populations always show a negative binomial distribution (NBD). In other words, bigger brands have more buyers and buyers who buy more often. There is always a pattern of a small number of heavy buyers and a much larger number of light buyers. Marketing never changes the pattern, so trying to appeal to a particular segment doesn't work. The best example of this was the Yorkie chocolate bar (the milk chocolate brick?) which was (allegedly) targeted at blue collar males. This campaign was seen to be very successful, but in reality, as many women as men (50:50) buy Yorkie and the class distribution is the same as for other chocolate bars. The ads worked, not because they targeted a particular segment, but because they were noticed by all segments (great adverts). Interestingly, the problem with the NBD theory is that it can't predict why some brands grow and others don't. So, marketing does work, but you actually have to do some to make a difference.

## No more IHT?

Inheritance Tax (IHT) is unpopular with taxpayers (because it taxes capital on which income tax has already been paid) and with government because it's hard to administer and only brings in £2bn a year and is easy to avoid (if you try). When a recent think-tank (IPPR) report proposed its abolition, I got quite excited. Unfortunately, what they are actually proposing is a tax on (relatively small) gifts, with each recipient having a lifetime threshold. In other words, a return to something similar to the Capital Transfer Tax regime that caused so much trouble in the 1970s and was replaced by IHT in 1986. There really are no new ideas in tax. But it would increase the tax take by an extra £1bn – so it must be a good idea.

## SSB

Self-sabotaging behaviour. The new name for slow career suicide. Apparently, you shouldn't do the following:

- Gossip
- Go in cold (ie unprepared)
- Over-promise and under-deliver
- Excuse, blame, ignore
- Sleep with the boss

Not all of the above were actually on the Institute's list?

## Meet Bob

The Duckett team is getting bigger – the Light Side is to get a PA to keep it in order.

The first test for Bob will be to come to the BD event at Wye Leisure. Is that why the event is filling rapidly?

## Newsletters of the past

For various reasons, I've had to review my output of newsletters over the past few years. I was surprised to find that I produced 11 in 2006 compared to only 4 in 2010. Not sure whether the reduction is a result of general economic weariness or the feeling that there are no new ideas and everything goes round in circles.

How about March 2005?

<http://www.chrisduckett.co.uk/Newsletters/march2005.html>

## Buy a better business

As you may have noticed, I like a good car industry story and I found another one buried in an article on buying businesses in HBR.

Theory has it that there are 2 instances where buying a business works:

- The target company has assets (people, customers, IP etc) you need. The assets are simply integrated into the existing business. You get bigger, but do everything the same as before.
- The target company has a new business model. In this case,

integration won't work, so the target needs to be kept separate.

Given that somewhere above 70% of acquisitions "fail", business just doesn't get the point.

So, the car industry example is the Daimler purchase of Chrysler in the 2000s.

Chrysler has had a chequered history (to put it mildly), but by the mid 2000s it was making money, largely because of the speed with which it could bring new models into production (inside 3 years). Daimler, however, took 7 years to get a new model out, but was run with standard Teutonic efficiency. Having made the purchase, Daimler management ignored Chrysler's strength and tried to run it like a division of Daimler. The result: huge losses.

I'm sure the same thing happens with people <http://www.thestrengthsfoundation.org/category/super-teams>

## Institute inspection

We've got one on 6<sup>th</sup> & 7<sup>th</sup> April. Last one was 6 years ago.

Don't expect to get any sense out of me while it's on.

## Is hope a dirty word?

Once upon a time, I used to write long shareholder-style reports for a largish organisation and the GOM (Grand Old Man) in charged always crossed out any reference I made to "hope". Not a sign of informed management in control of the situation (as he saw it). However, if an organisation loses hope, it's probably doomed. The Positive Psychology movement splits hope into 2 elements:

- The capacity to solve a problem (pathways thinking)
- The motivation to follow the pathways (agency thinking)

In short, "where there's a will, there's a way" (and vice versa).

The authority on the subject is CR Snyder: The Psychology of Hope.

<http://www.news.ku.edu/2006/january/18/statement.shtml>

## PAYE penalties

I know I warned everybody about this last year, but we are now approaching the final payment of PAYE for 2010/11. Apart from reminding everybody to get their returns in (by 19<sup>th</sup> May?? – ask now if you want help), the real excitement is going to be the flood of (computer generated) fines for late payment of monthly PAYE. HMRC expect the monthly PAYE cheque to have cleared by 19<sup>th</sup> of each month or payment to have been made electronically by 22<sup>nd</sup>. They also have a nasty habit of randomly allocating payments to other places, particularly if you fail to get their referencing system wrong in any way. This will doubtless generate penalties too. Remember, we are generally not agents for PAYE purposes, so HMRC (3 girls & a phone in an office in Manchester?) won't speak to us if there is an issue and the whole thing takes forever to sort out. Expect blood on the streets. Whiplash is dreading it.

## Olympics to crash broadband

Security specialist MessageLabs offers a service to employers to block access (by employees) to websites that the employer deems out of bounds. It performs about 100 million blocks a week. As you would expect, blocking jumped 8% during the World Cup with a spike during the England v Slovenia match which was played during work time. The business problem is that companies are losing precious broadband capacity where employees have free reign to use work systems. [The answer: let them watch TV?] I suspect if I tried to block sites selling shoes there could be a mutiny.

## Lunch in the trenches

The Castle House Hotel is running a lunchtime talk by historian and author John Lewis-Stempel on the subject of schoolboy officers in the First World War. 14<sup>th</sup> April. 12 noon for 12.30. £24 a head.  
[http://www.castlehse.co.uk/page.asp?id=393&parent\\_id=0](http://www.castlehse.co.uk/page.asp?id=393&parent_id=0)

I'm going: should make dealing with HMRC seem a breeze.

## Disclaimer

The Budget: a triumph of hope over experience.



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