



March 2012 Newsletter

Budget special. As ever, the detail will take weeks to emerge. However, the drop in the top rate of personal tax to 45% from next April is sure to generate income postponement on an "industrial scale". Tax bills to match in January 2014.

Lots of stuff to go at in this edition.



Book of the month

"Great by Choice" by Jim Collins & Morten Hansen

Good to Great was published 10 years ago and has become something of an MBA classic. It should be no great surprise that the new book is pretty much more of the same without any exciting new concepts. After all, there are no new ideas, just old ones that have been reframed. The methodology is as before: the research identifies a series of companies that outperform the (US) stockmarket by at least 10 fold between 1972 and 2002 and then looks at comparison companies in the same industry that don't perform this well. The most interesting

comparison is Microsoft v Apple. Up to 2002, Microsoft won by a mile. Then Steve Jobs came back and Apple was transformed. Be careful what you learn from this, but it is (absolutely) all down to management.

<http://www.jimcollins.com/books.html>

Tax is unfair (get used to it)

As you might guess from the title, "Taxation" magazine is something of a heavy read. However, Whiplash recently drew my attention to an unusually emotive article suggesting that the staggering lapses in perceived fairness are beginning to undermine faith in the system. [Given that I've never had faith in the system, does that make mean I'm ahead of the curve?] A particularly obvious example of double standards relates to all the chest thumping about wealthy individuals avoiding stamp duty by buying property through offshore companies. Does it surprise you to learn that the Inland Revenue estate was sold to an

offshore company a few years ago? Indignant of Hereford.

Don't forget

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



Websites go mobile

IT industry experts have long since concluded that the future is mobile and this is steadily filtering through to website design. In my experience, it's particularly frustrating to be able to track down a website on your handheld only to find that the phone number

is too small to actually read. However, despite the best efforts of the Nerds, it is still worth spending at least as much time, energy and money on the message rather than the method of delivery.. This is apparent in the world of medicine where the transition away from the NHS is in progress. I'm still seeing websites written for consultants where the aim is to impress other medical professionals rather than draw in customers (once called patients). Plastic surgery is clearly the most retail-focussed section of the industry and I suggest that the website for Simon Lee, our favourite plastic surgeon, leads the charge

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

Bob departure

I'm sorry to have to report that Bob (PA to the Light Side) will be leaving us in the summer. Her husband is being sent to the south coast and she is following. Whilst we'll be sorry to see her go, this means there's an opportunity for somebody else. If you know of anybody who might be suitable/interested, please let me know.

Tax tips 2012

The tax team has produced its annual summary of changes that are already in the pipeline. This is a more factual/less emotive view than that usually found in the Newsletter. Whilst nitpicking is alive and well at HMRC, the big changes are:

- real time PAYE comes in next year. This basically means that monthly returns will be required (electronically), so the Collector knows how much to chase if you happen to be late paying. Year end returns are then irrelevant.
- We experienced a surge in tax enquiries at the end of last year (as did everybody else) and this has prompted a one third increase in our fee protection premium. The question is, do I pass it on to you? The premium renewal requests will be out in April. Whatever I decide, the insurance is well worth it in the face of increasing Revenue activity.

<http://www.chrisduckett.co.uk/taxtips2012.htm>

On a more technical note, the Budget did indeed reduce capital allowances as promised. The Revenue is expected to be really touchy about timing of kit purchases around 31st March.

Mileage logs (for everybody) also seem to be back on the agenda. To discuss.

On the bright side, the Revenue's practice of waiting for 4 months to issue fines (4 x £100) for late filing of PAYE year end returns is drawing flack at Tribunal. We have one appeal in on this point.

The Caveman Brain and the Art of Manipulation

Just when I thought the Institute was entirely irrelevant, it produces a superb report on behavioural economics. Traditional economics (and indeed government policy) is based on the fiction that people and organisations behave logically. Given the long history of asset bubbles, this is clearly not the case. However, irrational behaviour is still predictable and this is where the manipulation comes in. The problem is that the human brain has finite processing capacity and therefore needs to take short cuts to prevent locking-up. Particularly when most decisions don't have a right answer. 6 areas to be aware of:

- sunk costs – if you've already spent lots of money on a project, you'll want to spend more to see it finished, whether or not this makes sense
- narrative bias – stories allow the brain to internalise information
- loss aversion – losses feel more significant than gains
- risk aversion – anathema to most people
- hyperbolic discounting – paying money later is much less painful than paying it now
- anchoring – all numbers are relative. Give somebody a big number (any big number) and a smaller number (like a price) looks more attractive. The numbers don't need to be related in any way

I suggest that the "just-world illusion" is not a concept that applies to HMRC.

Anybody who thinks this is a fascinating subject should try "The Psychology of Price" by Leigh Caldwell. May even make a BD event topic.

http://www.amazon.co.uk/The-Psychology-Price-Leigh-Caldwell/dp/1780590075/ref=sr_1_1?s=books&ie=UTF8&qid=1332962806&sr=1-1



Zombies starting to die

Insolvency practitioners are dribbling with delight at the view that the recovery is starting. Traditionally, this means that their workload is about to take off. This recession has been so slow to end that insolvencies have been much lower than expected, but things will change. The recession of 1981 officially ended in the fourth quarter of that year with insolvencies for the whole year of 8,000. However, insolvencies didn't actually peak until 1985 when there were 15,000. And don't rely on Time to Pay.

Dinosaur interviews

Allegedly, there's a trend in interviews to ask candidates which type of dinosaur they resemble. I was last interested in dinosaurs at the age of 7 and I would therefore have some trouble naming any dinosaurs at all. It would appear that many candidates have a similar problem and opt for "T Rex" by default. The response from the interviewer is to suggest that this implies that the candidate is therefore a cannibalistic predator preying on the weak. The technique is known as extreme interviewing and was dreamt up in Silicon Valley. The idea is to test people

under pressure, but I'm not sure how this helps in a normal work situation. Anyway, applicants for Bob's job can expect the following questions:

- Which TV character is most like you?
- On a scale of 1 to 10, how weird are you?
- Does life fascinate you?
- If we need to change your name, what would you like to be called?

Answers anybody?

Random idea

At risk of being accused of being lazy, try these:

<http://www.lyndagratton.com/> - most influential strategic thinker

<http://portfoliocareers.net/2012/02/15/the-secret-structure-of-great-talks/> - how to do public speaking

<http://www.inspired-entrepreneur.com/> - light-weight, but it is a UK site

Happiness (given a whole issue in HBR)

There's been a lot in the technical press recently (as pounced upon by politicians) about the inadequacy of GDP as an indicator of national performance. A human development index (HDI) was developed in the early 90s and Norway and Australia are in the top positions. Adjust for equality, and the US doesn't even come in the top 10 (but nor

do we). Employees are happiest when they're trying to achieve goals that are difficult, but not out of reach. On an individual basis, happiness can be promoted by committing to some simple behaviours – meditating, exercising, getting enough sleep and doing something altruistic. As with most things, the answers are simple, but applying them may not be easy.

Just to prove the point, local fitness guru Ady Watts has identified a great article on diet

<http://www.nation.com/readArticle.do?id=1526539>

This should have been in the January newsletter, but it got lost in the wave of Tax Returns.

Miles Flint website

Miles is a client of ours with a passion for photography.

Well worth a look milesapes.com.

Definitions (apparently from the Washington Post)?

- CASHTRATION: The act of buying a house, which renders the subject financially impotent for an indefinite period of time.
- INTAXICATION: Euphoria at getting a tax refund, which lasts until you realise it was your money to start with.
- FOREPLOY: Any misrepresentation

about yourself for the purpose of getting laid.

- INOCULATTE: To take coffee intravenously when you are running late.
- DECAFALON: The gruelling event of getting through the day consuming only things that are good for you.
- DOPELER EFFECT: The tendency of stupid ideas to seem smarter when they come at you rapidly.



Disclaimer

Respect is not a function of the boss's psychotic tendencies. Why am I surrounded by idiots?



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