



September 2014 Newsletter

Revamped Newsletter Special.

Does this make us like proper accountants?

Book of the month

"Eat That Frog: Get More of the Important Things Done Today" by Brian Tracy.

The summary says:

"The key to happiness, satisfaction, great success and a wonderful feeling of personal power and effectiveness is for you to develop the habit of eating your frog first thing every day when you start work."

The BD team keep (annoyingly) quoting sayings from the book, but I haven't actually noticed any extra output as a result



21st Century skills

The 3 Rs have been around for a very long time and served society well in the shift from an agricultural to an industrial base. Now we're post-industrial(?), which skill sets are relevant?

Apparently, the 4 Cs:

- critical thinking & problem solving;
- communication,
- collaboration; and
- creativity & innovation

Although you do need to be able to master the Rs to get to the Cs. I set this as a task for our Talent Academy and they complained that there was too much reading involved. So watch the videos:

<http://www.thepositiveapproach.info/the-center-for-curriculum-redesign-enabling-students-to-thrive-in-the-21st-century/>

<http://www.thepositiveapproach.info/partnership-21st-century-skills-enabling-young-people-shape-positive-future/>

<http://www.thepositiveapproach.info/edlead-er21-making-21st-century-education-happen/>

Those who despair of the under 30s might appreciate this rather jaundiced view of the issue:

<https://www.youtube.com/watch?v=SzoogclVQu8>



Snake bite bias

Humans in general, and regulators in particular, have real problems in retrospectively confusing bad outcomes with bad decisions. Given that the future is unpredictable, we all have to make decisions, usually based on incomplete information, that can turn out badly. That doesn't make it a bad decision, but it usually stops you making the same decision again, even though the situation is different. A good example of this is fixing a mortgage just before interest rates fall. Arguably, the current Interest Rate Swap debacle is an extension of this principal, except that in most cases the Banks did indeed force customers to take costly Swaps when all they wanted was certainty.

<http://www.tradestation.com/en/education/university/markets-and-trading-resource-center/articles/behavioral-finance/investor-biases>

Team A wins again

You may remember an article I put together some time ago from one of the Malcolm Gladwell books about the Team A v Team B scenario. Gladwell was telling the story about a US Army war game. To give the military (Team A) somebody to fight, they put a Vietnam Special Forces vet in charge of a small force (Team B) and told him to do his worst. He hijacked a cruise missile with which he technically destroyed the command carrier and won the game instantly. So they kept changing the rules and re-running the game until Team A finally won and the Chiefs were vindicated. We've got a very similar deal now with HMRC and anything they deem to be tax "evasion".

2 examples to illustrate the point:

1. The "Status" issue

This is a very sober article, written by somebody from Baker Tilly, which explains the situation very carefully. With an incredibly measured conclusion:

The distinction between employees and the self-employed is fundamental to the national insurance system. That's all very

well in theory, but in practice the boundary between the two is far from clear. There are many cases where there is genuine uncertainty about a person's status, but at the margins there have undoubtedly been some attempts to set up structures to turn what are, on any realistic analysis, employees into the self-employed.

In many cases 'engagers' and 'workers' (to use neutral terms) benefit from self-employed status. The 'engager' does not have to pay national insurance contributions, and the 'worker' is paid gross with no PAYE deductions and is able to access a wider range of tax deductions – particularly where travel and accommodation is involved. Sometimes, however, these structures result in individuals losing employment rights and access to state benefits and there are concerns that, in a few cases, workers have been forced into using these structures without a proper understanding of their full implications.

For many years there has been something of a cat and mouse game between engagers and HMRC under which the former seek to find new loopholes and the latter seeks to close them. HMRC has now become so frustrated with all of this that it has included in the National Insurance Bill a new targeted anti avoidance rule – a TAAR – which will in effect allow them to disregard any such attempts to disguise employment status and treat the worker as being employed.

We accept that there are cases where it is legitimate for HMRC to challenge contrived arrangements, but we are concerned about yet another wide-ranging anti-avoidance rule. Such rules are a sign that the government does not believe that it can draft effective legislation to define the boundaries of what is and is not acceptable. That is not good for

the overall health of the tax system.

2. Taxman gets access to bank accounts

Well, that's what is currently being proposed, primarily because the amount of tax owed but not paid has increased of late. Given the propensity of HMRC to make mistakes, this can only end in tears. We're currently experiencing a fiasco over child allowance claw-backs for higher earners where HMRC has all the info it needs and still can't get it right.

Pinkos in charge

One of the fundamental tenants of this Newsletter is that the Taxman is out to get us (because he is). If, however, you are a civil servant or a left wing journalist, the Taxman is a champion of the Fair Society and the route to a final salary pension. In other words, The Guardian sees it differently:

www.theguardian.com/commentisfree/2014/jul/29/farcical-tax-system-cheating-billions-chase-avoiders?CMP=twtd

Although why they should complain about R&D credits is beyond me.

DELETE ALL

Apparently, the Germans have decided that you can get away with deleting all e-mails received whilst away on holiday:

"There ought to be a word - and perhaps there is, in German - for the mix of feelings that accompanies composing and activating a holiday out-of-office message. There's smugness, of course, and a gratifying sense of laying down one's virtual tools after a horribly long shift. But for many of us, these nice feelings are tempered by the knowledge that in two weeks, refreshed but depressed, we will have to trawl through hundreds of emails, many of which will be conference

room notifications for meetings about crises that have passed.

But for employees at Daimler things are a little different. Email these people while they are on holiday and you will get a message like this:

- I am on vacation. I cannot read your email. Your email is being deleted. Please contact X or Y if it's really important, or resend the email after I'm back in the office. Danke Schön.

Apparently, people receiving such a notification rarely get angry. Holiday envy has been replaced by corporate email policy envy."

I'm pretty sure that the BD team do this anyway.

Pricing the Godin Way

Pricing is a difficult/perennial problem for all businesses and most settle for following the market. That's largely because there is no absolute way of establishing a "correct" price for anything. However, the price of any given service/product will certainly fall if cheaper substitutes come into the market. After that, it becomes horribly complicated (when is a substitute not a substitute?), so I'll let Seth tell the full story:



http://sethgodin.typepad.com/seths_blog/2014/08/understanding-substitutes.html

IF YOU CAN'T BEAT THEM

I have frequently praised Richard Zybert for daring to take on the likes of Microsoft with his Linux based Gem server. As ever, he suffers from the "Nobody got fired for buying Windows" syndrome. He's therefore come up with the ingenious idea of sitting a Windows system within his Linux box. It probably won't catch on, but I'll buy one (for my collection).

He also tells me that the US government has recently moved the goalposts so that it can access data stored anywhere on a remote server that it deems to be on US territory. Cloud stored data is most certainly not private. For the truly obscure detail try:

<http://jurist.org/hotline/2014/08/ben-weinberger-cloud-data-protection.php>

Microsoft has started the process of killing Windows 7

Subject to a few missing commas, this is a good article from the Tech World:

"Of course Microsoft doesn't describe it that way, but the meaning is clear. There are all sorts of complicated rules about how long a version of Windows receives which level of support, but this is entirely in Microsoft's hands so they have chosen the time to make this announcement and that time is now.

Microsoft has killed Windows XP and now they want to kill Windows 7 as swiftly as possible, although it will likely take up to five more years. The problem is that Windows 8 is a truly rotten Operating System that was designed for use on tablets and smart phones and was then pressed into service on laptops and PCs.

If you currently use Windows 7, I feel you would be insane to 'upgrade' to Windows 8. Perhaps Windows 8.2 will fix things, or we might have to wait for Windows 9 in Spring 2015, but only time will tell.

We can only hope that Microsoft will get its act together, but the Windows XP experience tells us that Microsoft will kill Windows 7 as soon as possible as a way of forcing its customers to buy a new batch of software."

Disclaimer

Divorce your wife. Sell your kids. Follow your dreams.

The old ones are the best?



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