



## October 2016 Newsletter

*The “So much punishment so little time” Special.  
Yep, Christmas/Tax Return Season is approaching rapidly.*

### Forthcoming events

I did get some feedback about other venues for the Posh Dinners: Rob Bartup suggested a nice place he knows in Sorrento. I assured Maria that Sorrento is the other side of Ross and she should check it out without delay.

The current plan is as follows:

25th January 2017- Venue to be confirmed – David Lloyd talking about the 3 things he’s learned (with favourite stories) from 20 years of being a Trusted Advisor.

23rd March – Richard Whitby talking about crises and how to handle them

25th May – celebration of Beltane – Dave to bring Druids (or a sensible speaker)

The Verzons didn't cover itself in glory for the mid-October event. Let's hope the rest do better.

### Making Tax Digital

That's quarterly Tax Returns in standard English.

I'm currently spending most of my time talking to people about this subject. It's coming soon and it will be a problem. Even the Boyscout is watching webinars on the subject.

Directors of companies should not feel superior. You get clobbered too, albeit not via the company (yet).

Link <http://chrisduckett.weebly.com/making-tax-digital.html>

I wish to record my frustration with the accounting profession. This is a processing problem: no value is added. Get over it.

Other tax issues

The Gathering Storm: yes, HMRC has noticed that property is a sitting target and is taxing accordingly. Whiplash and The Chancellor

talk about this at more length on the blog. In particular, watch out for:

- 28% CGT on the sale of residential property and French payment terms
- The VATman is going for penalties (regardless of the spirit of the rules)
- Farmers 5 year averaging is officially ludicrous





## Banks get all existential

As a result of changes in the Money Laundering rules, the banks are now obliged to know quite a lot (of facts) about a customer before they actually give you a bank account. As you might expect, this is very much a tick box exercise (all sense of judgement has been removed from the process). Even so, I was surprised when a significant client of ours was asked the question:

“Why do you want a bank account?”

Presumably, the obvious answer is not enough.

Has anybody got a suitably imaginative alternative?

Answers to [banks@chrisduckett.co.uk](mailto:banks@chrisduckett.co.uk)

A prize may be awarded.



## Book of the month

“Sapiens: a brief history of humankind” by Yuval Noah Harari

This book caused a fuss when it was released a couple of years ago (Sunday Times bestseller) and I can see why. It's full of ideas, many of them not particularly complimentary, about the path of human development. His basic question is that if anatomically modern humans emerged 70,000 years ago, why did it take till 10,000 years ago for agriculture to be developed with the modern era only arising from about 1,500 AD?

If we skip the (fascinating) early stuff, the primary driver of the modern world appears to be capitalism. Prior to that, the economy was a zero sum game: you could only get wealthier if somebody else got poorer. Hence the conspicuous consumption of rulers (think medieval tournaments etc). But capitalism argued that the economy as a whole could grow if people continuously re-invested their profits to create more wealth. It's a self-fulfilling confidence trick: it will continue to work as long as everybody behaves as though it will. In principal, a shock like the 2008 crash could derail everything.

The follow up book about what happens when humans interact with computers was too negative for most critics.

As an aside, he notes the ongoing tendency of humans to believe that the recent past was a golden era and the present is not as good. The Ref is well known to get all misty eyed about the exploits of West Bromich Albion in the 1970s. However, I suspect that really was the best Albion will ever be.



## Power corrupts

This seems to be true at even modest levels.

One telling experiment puts 3 people in a team, makes one the boss and then gives them a plate with 4 biscuits on. Everybody takes a biscuit each. The boss finishes the 4<sup>th</sup>. Do you find yourself doing any of the following?

- Interrupting co-workers
- Fiddling with your phone during meetings
- Raising your voice
- Saying insulting things

If so, you've been corrupted by power. Be ashamed?

The solution appears to be to practice graciousness, empathy, gratitude and generosity. That sounds like a tall order.

## Are you assertive?

A piece by Camilla in the Sunday Times raised the issue of salutations in e-mails. According to her, the most aggressive salutation of all is “Hi.” Note the full stop. So, I've been watching out for this and she's right. Senior males tend to use just your forename (“Chris”). I've taken to slipping in a “Hello” to be a bit less autocratic (“Hello Chris”). “Hi Chris” seems too informal and “Dear Chris” is for letters only. Any more original ideas?

## Brown shoes

I took to wearing brown shoes with specific blue suits to prove my credentials as a (sartorially?) subversive accountant. Apparently, it also means I won't get a job as a merchant banker as brown shoes breach one of their unwritten rules. Applicants from the wrong universities have the same problem. I'm not worried.

## New website

For those with short attention spans, you might be interested in the blog which sits alongside the main website

<http://chrisduckett.weebly.com/>

So far, posts from Whiplash have escaped the censor, but it can't last.

There may even be a picture of Baby Vickress on there by now?

## Pensions

The rules changed 18 months ago and the financial services industry is really getting to grips with the use of pensions as an inheritance tax planning mechanism. Just don't forget that Governments have a nasty habit of seeing pension schemes as a soft target for a tax raid. The goalposts may be moved on you.

One curious feature of the rules is the use of age 75 to determine the tax treatment of pension funds. The (tax) advantage is to be had if you die before 75. For those of you in your 74<sup>th</sup> year, watch out for relatives bearing gifts.



## Stack ranking

This is the process of grading all employees and firing the bottom 20%. The idea came from the military and was adopted with enthusiasm by big business in the 1990s. The Tech world famously dropped it several years ago, but other industries, which don't go for the full cull route, still persist in holding annual reviews. The big accounting firms decided that annual reviews don't work (and everybody hates them, and they take forever) and introduced continuous feedback systems (ie catch people doing the right things and then praise them). Unfortunately, those being fast-tracked for partner status need to know that they are indeed making the grade and have demanded a numerical rating. So we're almost back to square one.

Arguably, people now work in a much more collaborative, but changeable world and the key questions are:

- am I doing the things I should be doing?
- have I stopped doing the things I shouldn't be doing?

If you can resolve those questions, how do you formally assess teamwork?

I may have an answer for that – I've borrowed a worksheet from one of the larger firms round here. It's certainly thought provoking. If you want a copy, please e.mail me on [nodickheads@chrisduckett.co.uk](mailto:nodickheads@chrisduckett.co.uk)

## Are you a successful entrepreneur?

According to Luke Johnson in the Sunday Times,

you are if:

- You get excited about Revenues rather than Costs. Costs are for accountants.
- You're always interested in new Opportunities, not finding excuses/fault for things that didn't/won't work
- Profit is the key driver. A Lifestyle business is not entrepreneurial
- You can Delegate effectively. Trying to Micromanage everybody just limits growth. Entrepreneurs get the difference between delegation and abdication.
- You want Organic Growth. In general, growth by acquisition is a managerial exercise.

## IT Security

Every time I speak to an IT expert, they tell me that nobody has a completely secure system unless they have no employees and no mobile access. Which rather defeats the object. Anecdotally, ransom breaches are a big issue at the moment. That's where you (accidentally) allow malware onto your server which encrypts all files. You then have the choice of paying (in bitcoin?) to have your files unencrypted or you go to your last backup and live with the loss of a day's work. According to the Institute these are the other major problems:

- 1 Phishing – an attempt to gain sensitive information while posing as a trustworthy contact. A highly targeted attempt to gain information from an individual, is known as spear phishing.

- 2 Whaling – a form of spear phishing, where a fake e-mail from the CEO applies pressure on the CFO, or individuals within the finance team, to make an urgent payment.
- 3 Data Leakage – security needs to extend beyond the office, are mobile devices protected? Do staff use personal devices (unprotected?) or personal accounts (Hillary Clinton?) for business purposes?
- 4 Hacking – Bank account and credit card information has traditionally been the prize, but Intellectual Property is another source of value.
- 5 Insider Threat – either by accident or maliciously.

One interesting story I came across was from folk selling cyber-breach insurance (beware: axe to grind). Talk Talk famously had a breach, handled it badly and destroyed a big chunk of value. Shortly after that, Carphone Warehouse had a very similar experience. However, they had the relevant insurance and a team of experts was parachuted in to assess the scale of the breach and fix the damage. The whole thing was played down (from a position of knowledge) and no harm was done. So, buy the insurance?

## Disclaimer

As Indiana Jones once said, "It's not the age, it's the mileage that counts".

He wasn't talking about cars.



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