



**Great Re-Opening Special?**

I wrote the last Newsletter in April last year, but it was so bad-tempered that I wasn't allowed to send it out. However, being never one to waste a good joke, I've recycled some of the less contentious articles. See if you can spot which.

**Forthcoming event**

27<sup>th</sup> May in Edward Pritchard's courtyard behind his shop.

A networking event – because we can – coupled with the potential for some light shopping and support for The Bookshop & the Green Dragon.

Whilst I hate to admit to actually following the rules, we will have to hold numbers to the legal (if entirely random) figure of 30.

Feel privileged if you get an invite.

**The way forward**

Economists are like scientists: you can always find one to support any given outcome. One school of thought, assuming nothing goes "wrong", is that we should get a boom for the next 2 years, followed by an early general election as the hangover sets in. If that transpires, what should we be doing now? Or the more open question:

"How do we get the business we always wanted?"

If you want help with the answer, or maybe more questions, then let me know. The view from the credit insurers is at the other end of the spectrum – we're all doomed. Take your pick.

**Back to the office**

The latest specialism requiring a consultant <https://www.hcrfaw.com/blog/in-a-post-covid-world-what-do-offices-need-to-look-and-feel-like/>

I'm not making this up.

**Book of the Crisis 1**

"The Strange Death of Europe: Immigration, Identity, Islam" by Douglas Murray. This was one of those books I've had for ages, but couldn't get round to reading. The gist of it is that the political elite (across Europe) have promoted immigration without any thought of how to deal with the problems this policy has created. Words and numbers haven't matched since the 60s and the general public has finally realised.

I like his theory that God has been replaced by Guilt in our secular society. The Original Sin is colonialism in some shape or form. The non-Western world doesn't suffer from this lurch into self-laceration.

**Book of the Crisis 2**

"Collapse: How societies choose to fail or survive" by Jared Diamond. Note the choice. Are you starting to see a theme here? Too much introspection was never a good idea.

This is not a light read, but, as you might expect, the same problems have repeated themselves over the course of history. It goes like this:

- A civilisation establishes itself in a particularly favourable environment and remains more or less static for a long(ish) period of time
- Population growth starts to take off and marginal land is settled
- Something changes (usually the environment) and the marginal areas can no longer support their growing populations – leading to starvation
- The starving margins flee to the original heartland, thereby overwhelming its institutions and leading to civic and cultural breakdown
- Those that are left eat one another

One of the other amusing observations is that societies where the gap between rich and poor is large generally fail to arrest the problems at a point when they could be solved. Again, it's a failure of the political classes. The easiest example is Easter Island where the chiefs were so busy competing with one another to build the biggest statues that they completely depleted the island. Hence the famous rhetorical question "Who cut down the last tree on Easter Island".

**Tax**

We had a Budget in March and it created 2 very obtuse issues:

- Corporation tax rising to 25% from 1.4.23. It's actually 26.5% in the marginal rate band between 50k and 250k where most small businesses sit
- A "super" allowance of 130% on new kit (in companies only) until 1.4.23. The mechanics of this mean that you may well get relief at 19% in the short run, only to have to pay it back at 25%(+?) when you sell the kit. Its immensely complicated.

**Nudge, nudge**

Nudging people to do the "right thing" was gaining ground with HMRC Before The Virus, but the success of nudge techniques during Lockdown has emboldened HMRC to try again/harder. It should therefore have been no surprise (but it was) when one of our clients got a letter asking him if his R&D claim was right. Given that he'd paid good money to get a professional to write a report that was submitted to HMRC (and presumably agreed by them), the purpose of the letter was deeply perplexing. Stand by for more of the same. In a similar vein, we've recently had HMRC requests to people who are due a tax refund to "prove" their identity (or the refund won't be released). Presumably, they've suffered a spate of identity theft frauds, but asking a taxpayer to confirm their identity to HMRC seems destined to cause problems.

**Fee protection (aka tax investigation insurance)**

This time last year we sent out the Fee Protection bills as normal, and everybody joined up as normal. HMRC has been working from home and, in our experience, the volume of enquiries has certainly dropped off, with the VATman being the exception to that rule. The Fee Protection people are telling us that enquiries are back to normal volumes for Q1 of 2021, but overwhelmingly focused on Furlough calculations. That may be the trend for the rest of the year, but its likely that HMRC will come out fighting once restrictions lift.

**Unsung heroes – PR consultants**

The surge to furlough anybody who might not be productive has led to a debate about what certain employees actually do. The winners of this navel gazing exercise are PR consultants. Surely they would have prevented the ongoing clangers dropped by various politicians and most police commissioners?

**Learning Point of the Lockdown(s)**

Lots of parallels have been drawn between the Crisis and the Second World War. I suspect Vietnam is the better comparison. US strategy was based completely on the body count metric. The theory was that the North would eventually run out of soldiers to throw at the US and therefore have to give up. This didn't allow for the totalitarian view of expendable citizens: so they never gave up, whatever the carnage.

The best story, as I've told before, goes as follows:

Having collected all this data, the CIA fed it into their mainframe one Friday afternoon and asked the mainframe the question:

"When do we win the war?"

They left it the weekend (to cook) and came in on the Monday morning to get the answer:

"3 months ago last Tuesday"

**TV Series for Nerds – War Factories**

My kids have been telling me for years that I'm a nerd, which gives me the perfect excuse to watch programs on Yesterday such as my current favourite – War Factories. Not only is it packed full of stats, but it also compares and contrasts the differences between planned economies (Russian) and free market ones (the US). We were somewhere in the middle. I hadn't understood how anti-business the US New Deal had been and how Roosevelt completely abandoned it to engage with industry and set loose unlimited arms production. But Russian statistics were (literally) fantastic (hit target or die) and UK governments in the post war era based the industrial strategy of the country on command and control. It took 35 years+ to get over it.

**Where's the joke?**

We're told that black humour is an essential way of maintaining perspective during uncertain times. I recently came across this Soviet era joke:

A peasant was going about his business when he came across a man on the point of drowning in a stream. He waded in to save him and the man subsequently turned out to be Stalin. Stalin offered to reward the peasant with whatever he wanted. The man said:

"Don't tell anybody"

That earned the joke inventor 3 years in the Gulag.

**The vision: a digital tax system from end to end**

"The government's aim is to build a system which is digital from the original transaction, through processing and reporting, taxing the profit and paying the tax. Everything happening much closer to real time than it is now."

See disclaimer. What can possibly go wrong?

**Disclaimer**

I've used this before, but it seems relevant again. The most frightening phrase in the English language: "We're from the Government: we're here to help."



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