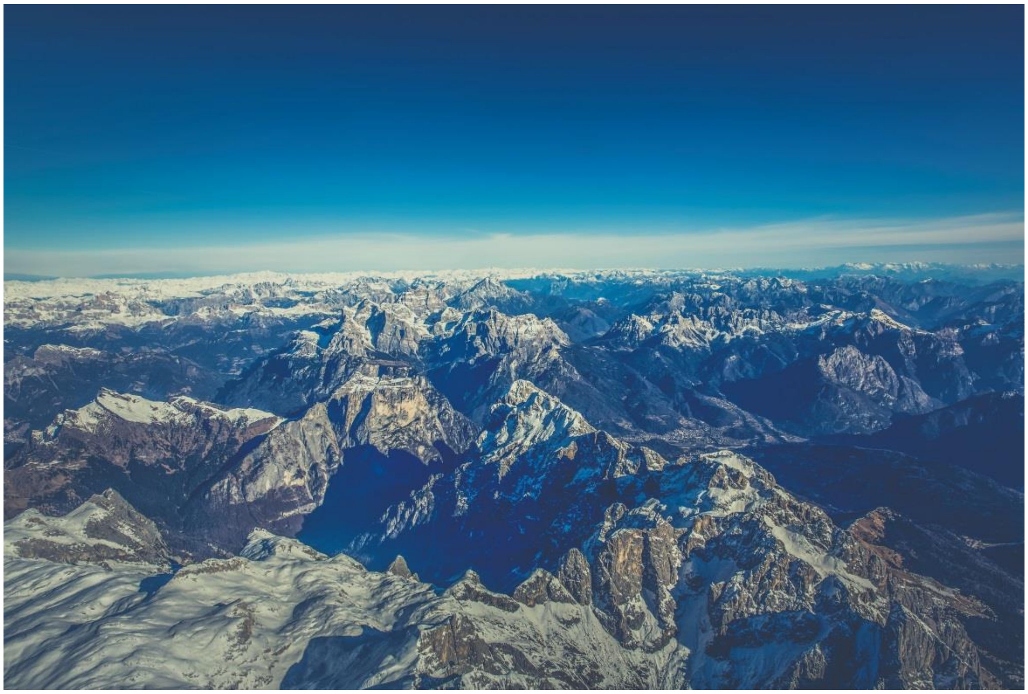

DUCKETTS
TRUSTED ADVISORS

December 2009 Newsletter

Christmas Special, of course.

Employees are for life, not just for Christmas

We constantly go on about the need to get the right people on the bus and the wrong ones off it. This is usually easier said than done (both directions), but we are convinced that it's worth the effort to keep talking to a pool of contacts who might want to be employees at some stage in the future. However, at some point, you have to bite the bullet and actually talk specific skills, expectations and outcomes. One way of speeding up the process is to get the candidate to complete a pre-work pack. This is effectively a self-assessment questionnaire. As with all things HR, the hard bit is figuring out what the responses mean. The Sage of Bishopswood has some good advice on the subject http://www.strengthsacademy.com/3-tips-for-using-a-candidate-pre-work-pack-that-people-complete-before-coming-for-an-interview

Christmas parties

The ambulance chasers are ready to go. Anything that happens at the Christmas party is your (the employer's) fault. Why not send a memo round telling everybody what standards of behaviour are acceptable? Restrict the alcohol intake of employees' partners so they can't mis-behave. Limber up the post-party counselling. Or just hope for the best?

Lies, damned lies and databases

Anybody connected with the construction industry has to be part of the CIS Scheme. If you are working for a contractor, the contractor is obliged to deduct tax at 20% (or 30% if HMRC don't know much about you) unless you have a "gross certificate". Such certificates are being withdrawn if you've failed to do anything you should (like pay your tax) by the relevant deadline.

One of our clients, who is absolutely compliant, received a letter from HMRC withdrawing his gross certificate. This has major implications for cash flow (and we're in a downturn, which makes it worse) and it took some effort to calm the client down. Phone calls to HMRC established that the reason for the certificate withdrawal was that an individual who had left the partnership 9 years ago had paid his tax late last January. His record was still connected to the partnership and the computer automatically revoked the gross certificate. HMRC duly removed the link and restored the gross certificate. No apology, naturally.

PBR

As you will have gathered, nothing happened. The Chancellor tinkered with pensions for the wealthy and EIS/VCT rules, but left alone anything difficult (like EBTs). [Perhaps he can't cope with acronyms?] The most significant change for small business is that capital allowances go back to 20% (from 40%) on expenditure over £50k. Up to £50k, the 100% AIA rules still apply. And, you can still ask to pay all tax bills slowly, despite the rumour I picked up that the Collector (of Taxes) has been told to get tough(er). Stand by for the election. I can't seem to find the detail on the sledge scrappage scheme?

- In need of instant gratification (or at least feedback)
- Spoiled (by over protective parents)
- Self-centred (placing a high priority on friends and family)

Suggested strategies for managing such people are therefore:

- Ensure that the work is challenging enough and they can see progress
- Have up to date technology
- Promote quality of life (no stress/no overtime)
- Outsource the grunt work where possible
- Make sure they understand how and where the different parts of the business fit together

Which doesn't sound all that different from managing anybody else?

http://www.strengthsacademy.com/3-tips-for-choosing-your-attitude

VAT rate

Just to be clear, this goes back to 17.5% as of 1st January. Please get it right. Allegedly, the Chancellor (like Oliver) asked for more, but the PM said no.

DFS sale now on

I don't normally report technical issues, but the VAT case involving DFS is quite instructive. Whilst furniture sales are clearly standard rated, a significant proportion of DFS's income is from the sale of insurance (of furniture) and this is exempt. DFS should therefore be partially exempt (which means that not all input VAT is recoverable), but nobody at the company or HMRC noticed. When the VAT man did take the point (as a result of another issue), he immediately clawed back the error for the last 3 years. As the VAT man spends an average of 29 days a year at DFS, the company argued that HMRC had effectively granted DFS a special way of operating the rules (a bit like contributory negligence) - and they won. It seems that HMRC is unlikely to appeal this decision as they feel too stupid. In practice, when you get a routine VAT visit (that doesn't go on for 29 days, I hope), the rule of thumb is that the VAT man won't look at stuff prior to the last visit. The DFS case may help to encourage this view. Bizarrely, direct tax is going the other way with the old "discovery" concept becoming less important. Discovery just means that if the Revenue have looked at something and left it alone, they can't have another go at it later.

Death & taxes

I picked up a good story to warm the cockles of your heart at Christmas. Picture the scene: husband and wife, happily married for 40 years and the wife develops cancer. The husband, an accountant, is distraught. However, he has a property portfolio that he has built up over this time, but he can't sell it because the tax bill would be too large ("pregnant with gain" – as they say in the trade). He therefore gifts the portfolio to his wife, who promptly dies (of shock?) and the portfolio comes back to the husband in her will. The capital gain is washed out on death and the husband can sell the portfolio without paying any tax. This gives him the funds to emigrate to Australia (no exchange controls any more) to live happily ever after with his kids. Death as a tax planning strategy. Happy Christmas.

Boyscout gets early Christmas present

An assistant called John. Nothing like as good looking as the much lamented Bolly, but probably better with numbers.

Disclaimer

Call no man happy until he is dead. Or at least we've done his Tax Return.

Some days you eat the bear and other days the bear eats you.

It's tax return time: what do you expect?

And Happy Christmas.

Chris Duckett Limited

Network House , Thorn
Office Centre
Rotherwas
Hereford
HR2 6JT

Telephone 01432 370 572
Email: clients@chrisduckett.co.uk
Website www.chrisduckett.co.uk