



October 2009  
Newsletter

*Anniversary special. Yes, it's 10 years (1<sup>st</sup> November) since Sue, Paul and I launched out on our own. Haven't things changed a lot in that time?*



## Another urban myth

The police have issued this warning: "If you are driving after dark and see an oncoming car with no headlights on, DO NOT FLASH YOUR LIGHTS AT THEM!" Why? Because the no-headlights car is being driven by a gang member, and as part of an initiation rite, the first person who flashes him will be hunted down and killed. (But at least the gang member will turn his lights on afterward.)

Why is this story so compulsive?

<http://www.fastcompany.com/magazine/137/made-to-stick-in-defense-of-feelings.html> (A vaguely relevant link.)



## Investment return

With the rate of interest still as low as it can go, investment returns are pathetic, at least from the normal low risk sources. The experts are busy getting people to invest overseas, although nobody is really sure just how risky the BRIC countries might be. I was therefore amused to note that the porn industry is the fastest growing domestic sector. There is even a specialist porn hedge fund. Does this count as an ethical investment? Is (safe) sex carbon neutral?

We've tried to think of some possible tittles for accountant porn films:

- Debbie does depreciation
  - Emmanuelle goes to Milton Keynes
- Any other suggestions?

## Black swans again

In a moment of idleness, I checked the website of Nicholas Taleb, the guy who made his name with the Black Swan concept. This is the idea that you can't work out what will happen next by reviewing what you already know. If you look at swans in Europe, they are all white. You have to go to Australia to discover black swans, but you can't predict that in advance.

Anyway, Taleb is suffering from talking to the political press. His work on randomness has been hailed as the predictor of the credit crunch and the politicians are busy quoting him out of context to prove their views. He is incensed.

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

## Chouinard interview

Yvon Chouinard is something of a hero of mine. This is more to do with his ground-breaking ability on steep ice in the early 1970s than his creation of the environmental friendly company, Patagonia. The fact that his company makes the best fleece jacket on

the market (from car tyres) is also incidental. He tells it like it is in this article:

<http://www.fastcompany.com/magazine/137/no-such-thing-as-sustainability.html>

(Wait for the link.)

## Art or science

The Boyscout never misses an opportunity to tell me we need better systems. How can I ever retire if large parts of the business won't work without my input/control? He even got mentioned recently in somebody else's lecture. Whilst the professions are the last bastion of the heroic effort, the rest of the world has embraced the idea:

"Norm Brodsky, an entrepreneur and a writer for *Inc.* magazine, runs a document-storage-and-retrieval business. He committed to taking four weeks of vacation a year, forcing himself to create systems that would allow his operation to run smoothly without him. He was successful, and since then, he has announced an even tougher commitment device: Now he'll take four months of vacation per year. This would appear to commit him to becoming French."

## Stop doing

In the course of preparing for my lecture on Jim Collins' Good to Great, I dutifully went through Jim's list of things that didn't make any difference to a company's ability to go from good to great. Buried in the list is the idea that GtoG companies did not focus solely on what to do to become great: they were also totally disciplined about what they stopped doing. (And what they never started to do.) The problem we commonly see in small business is the temptation to try to be all things to all customers, without any attempt to match price to quality. The Boyscout even has a "Stop Doing Strategic Review" which he would be delighted to unleash on you.

## No more LO subbies

The Revenue has really thrown its toys out the pram with the latest "consultation" document on labour only subcontractors –

they are to be abolished. The Revenue's term for this is "false self-employment". Given the harshness of the clampdown, you'd think these people were doing some serious tax avoidance. Actually, they are paying tax and NI, just not enough of the right sort. This goes back to the political problem that NI is tax by another name, but nobody will admit it (and Employers NI is a tax on jobs). This makes the recent disclosures that the big names at the BBC are being paid via service companies (allowing the new higher rate tax to be deferred) even more irritating, at least to the taxman.

## BDO gets political

As the election approaches, we all have real difficulty translating the rhetoric into something approaching reality. One of the top 20 firms, BDO Stoy Hayward has gone as far as setting up a website to show what the differences in taxation and public spending mean

<http://breakingthesilence.bdo.uk.com/index.html>

Maybe this is another definition of "added value"?



## How to be happy at work

Whilst the under 30s may expect to be happy at work, I always expected work to be like marriage: more a question of strategic suffering. At least it was better than school. The American writer Studs Terkel called it "a Monday-to-Friday sort of dying". For the more classically educated, "work was seen as God's punishment for Adam's sins." By the late 20<sup>th</sup> Century, if you mix Victor Frankl, the Sage of Bishopswood and Mihaly Csikszentmihalyis you get to the view that you can do something you're really good at (and get well paid for) into a "flow" experience. Now, we have "work/life balance", although not necessarily at the same time.

**I have never, ever read the Guardian, but:**

<http://www.guardian.co.uk/lifeandstyle/2009/aug/15/stuart-jeffries-happy>

or maybe

<http://www.strengthsacademy.com/3-tips-for-understanding-mihaly-csikszentmihalyis-work-on-strengths>

## What's the definition of an accountant?

Someone who solves a problem you didn't know you had in a way you don't understand.

## What strategy?

As the recession starts to lift (depending on which industry you are in), those that are still in the game need a strategy to exploit the opportunities that will inevitably arise. It would also be a good idea to tell everybody else on your team just what you intend to do:

<http://www.strengthsacademy.com/3-tips-for-making-sure-everybody-can-communicate-the-teams-strategy>

And, of course, you need the discipline to turn down sure-fire winners that don't fit your strength sets ("hedgehog" to use a Jim Collinsism).

## Is the answer £3bn?

The Boy Scout and I went to a talk involving a spokesman for that grant giving quango, Advantage West Midlands. Apart from telling us about grants of sensational complexity, he also mentioned that HMRC is likely to be very much less generous when asked to defer payments of tax (including VAT and PAYE). Nobody is sure, but it appears that HMRC has allowed the deferral of £3bn of tax. Or is it £30bn? Who knows? But they are going to have to get it back, probably from compliant taxpayers.

## But not as we know it, Jim

Having been in Hereford for 10 years+, I think it's essential to make the occasional foray to civilisation to find out what the rest of the accountancy world is up to. A recent excursion left me bemused. It would appear that the profession has given up on trying to help clients build better businesses and instead focussed on:

- Flogging them tax schemes (mostly EBTs)
- Flogging them financial services
- Becoming more efficient at producing (tax driven) accounts via technology

Whilst I'm always keen to embrace technology (there is no choice), I can't see



how items 1 & 2 are going to do much for the profession's reputation. Perhaps porn films would be a better bet after all?

## VAT changes

I rambled on about the changes to the European VAT rules in the last newsletter. One thing you will need to be able to do is check the VAT number of the business you are dealing with. It is not unknown for the other side to give you duff information (lost in translation?) or involve you in a carousel fraud. Surprisingly, you can check the number on line:

[http://ec.europa.eu/taxation\\_customs/vies/vieshome.do?selectedLanguage=EN](http://ec.europa.eu/taxation_customs/vies/vieshome.do?selectedLanguage=EN)

Incidentally, the VAT man has a new bank account (11963155 08 32 00). The old one ran out of money?

## Joined up filing

HMRC and Companies House have got together to allow you to file one set of accounts (on line only) to satisfy both parties. Curiously, the compulsory deadlines are different and they haven't actually got it working yet. Everything will be done in iXBRL, whatever that means. The first hurdle is the introduction of electronic filing of full accounts and CT returns from 1 April 2010. The last time we tried to file abbreviated (not full) accounts at Companies House, we concluded that the formats were not compliant with accounting standards. Maybe we were just being picky. Whilst this development is probably of more concern to

me than you, it does show how far and how fast the electronic process is moving. Within a couple of years, all government compliance will be paperless.

## Databases galore

The taxman is beginning to use data mining capabilities to cross reference income streams against taxpayers. We've seen a number of cases where a client has had a letter from the Revenue saying "We've got some interest and it's not on your tax return. Why not? Own up now and we won't do you for penalties." Apparently, the yield from this type of operation is really high and the chasing/threatening process can be handled by cheap, low-grade officers. So, watch out: they have the data and they know how to use it.

## All change

Incidentally, whilst Estelle may have gone on permanent sunbathing duty, the accounts team has been bolstered by the arrival of Naomi and the return of Dasha from maternity leave. The curious should make a poor excuse to visit the office.

## Disclaimer

If you are able to keep your head whilst all around you are losing theirs, then you don't understand quite how bad it is.



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