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**DUCKETTS**  
 TRUSTED ADVISORS

May  
 2005  
 Newsletter

## *Election special.*



### Book of the month

"Pilgrim's Progress" by Tim Kidson & Sharon Niccolls. Not only is Tim's new book a "must read", I can offer a free, signed copy of the book for the best answer to the following question: "What do you think is the most important factor that will enable you to secure a competitive advantage for your business in the Global Knowledge Economy?"

[www.growth-for-business.com](http://www.growth-for-business.com)

As the Boy Scout was otherwise engaged, I had to take Whiplash along to the gala launch of the book. She doesn't get out much, and I can see why. We started chatting (as you do) to one of our major clients. All was fine at first, but

after Whiplash had sunk a couple of large glasses of red wine, she started to warm up. Before I knew it, she'd showed the client (one of her) tattoos, told a series of dodgy jokes and started discussing her ex-husbands. Our client was mesmerised. Is this our new marketing approach? In return for this insight, I feel I should match Tim's prize for anybody who can tell me where Whiplash has her second tattoo. Judges decision is final.

[Tattoos@chrisduckett.co.uk](mailto:Tattoos@chrisduckett.co.uk)

### Corporate speak

I came across a good new management term recently: the Muppet Shuffle. Strictly, this is defined as "redeployment of incompetent staff to less dangerous roles". Presumably, this is the corollary of "risk is working for an idiot". Given that, under the corporate governance rules, risk only exists if it's written down, then the Muppet gets a name? If you look around and don't know who it is, then it's probably you. Kermit.

### Payroll on line falls over

The Revenue's new system to file PAYE year-end returns on line worked really well at first. Just last month, Sparkle reported how wonderful it was. Then the World and his Wife started using it and the system duly collapsed. The deadline for filing is/was 19<sup>th</sup> May. Will it be extended?

### Power dressing/image consultants

I've regularly discussed the theory that you are (perceived to be) what you wear. I particularly like the idea that white shirts and blue suits make you look like a policeman. I always wanted to be a man in uniform. This site expands on the concept: [www.dress2kill.com](http://www.dress2kill.com)

## To love, honour and pre-nup

We get to see our fair share of divorce deals these days and Sue is an expert on Form E. One of the rising issues seems to be the pre-nuptial agreement. As anybody who has watched "Desperate Housewives" will know, these are practically a way of life in the US, but are generally considered to be ineffective in the UK. However, it appears that they are likely to be upheld in this country as long as they are fair (?), not signed under duress and involved independent advice and full and frank financial disclosure. I'm not sure how easy it would be to get one drawn up in Hereford, but London solicitors talk about fees in the £5-10k region. This compares to the cost of a fully litigated divorce of up to £250k. It's the same deal as partnership/shareholders agreements: irrelevant unless something goes wrong.

## Dual core chips

There have been some significant developments in the design of computer chips: dual core chips to be precise. Effectively, the processor can do 2 things at once, thereby working faster. It's likely to be some while before these chips appear in this country, and I've no idea what difference they will make. I guess we'll find out when they get here. By the way, my endorsement of Richard Zybert's Z box has made it into print <http://www.egovmonitor.com/node/942>

This could (even) be construed as political comment:

### Drop everything.

Drop your wife, drop your mistress.

Drop your hopes and your fears.

Abandon your children in the corner of the wood.

Drop the substance for the shadow.

Drop, if need be, a comfortable life,

What you have, for a better future.

And set out on the open road.

By Tristan Tzara?

## Dealing successfully with price objections, part II

The Boyscout is keen on this article by John Niland:

Most buyers will make at least one effort to test the price. (Don't you?) But, we might learn to welcome this as a buying signal. It is also important to get invited as a trusted partner in the decision-making process – particularly when we hear those words "we need to think it over".

We can then turn to timing objections: "Having thought it over, the general feeling is that now is not the right time. Perhaps you can give us a call in six months?" Ever heard that one before? Loosely paraphrased, this means "Having worried about it since we last spoke, the prospect of making a decision looks scary. So we would prefer to put off any decision, because that way we cannot make any mistakes. But we don't want to close doors with you either, because who knows, you might come in useful some day."

Let's start with some understanding of this point of view. After all, the costs and the risks are usually theirs. These costs are also immediate and certain, while the benefits are future and (at best) probable. So their apprehension might be somewhat understandable.

The key is to anticipate this objection before it arises. As it will surface in most client minds sooner or later, why not prompt it early on before indecision snaps the door shut ... when you are not around to intervene?

"There is one question I always ask when we have agreed the value of the work to be done, and this is it: Is now the right time?"

In other words, is there anything happening over the next three months that might jeopardise the £££ benefits we have been describing?"

By prompting the question yourself, you win trust. You can frame the question in the context of potential benefit lost, rather than cost incurred. Your

willingness to deal openly with the prospect that they might (justifiably) postpone investment in your services may be the very factor that wins respect ... and the business.



## You're the only one for me

It's now compulsory to appreciate the people who work for you. Anything compulsory automatically generates consultants and they have toolkits: [www.appreciatinghumancapital.com](http://www.appreciatinghumancapital.com)

Despite the sales pitch, there is a bit of theory behind it. The value of human capital depends on the following:

- size and composition of the workforce
  - retention & motivation
  - skill, competencies & training
  - remuneration & work practices
  - leadership & succession planning
- Hardly rocket science, but I guess it will keep a few more consultants in sharp suits. Benchmarking next?



## Even Fund Managers have feelings

The St James's Place Group is one of those big financial services conglomerates that appears to play with pension money. The group unashamedly targets the legendary high net worth individual. They have managed to avoid the trap of appearing faceless by producing a quarterly audio tape [of the man in charge, Sir Mark Weinberg, talking to the various Fund Managers] coupled with a quarterly newsletter. The photos in the magazine tie in with the voices on the tape and you feel you know them. I particularly like Ted Williams who sounds like an East-End Barrow Boy and wears a stripy shirt. John Hodson sounds very pompous and looks distinctly avuncular. I can't really work out what makes a good fund manager, but I will be bereft if Ted gets fired. [Nick.honeymanbrown@sjpp.co.uk](mailto:Nick.honeymanbrown@sjpp.co.uk)

## Arctic fails

Now that we have a new government and it's short of money, presumably we can expect a further round of tax hikes and general anti-avoidance legislation. Certainly, the section 660/bounty case has gone against the taxpayer, although it is totally unclear as to what the rules actually translate to in practice. Economic theory has it that excessively high tax rates hamper growth. In fact, there is even a rule for it: The Phillips curve. This says that tax rates of 0% and 100% have one thing in common: neither yields any revenue. The break point, in practice, is thought (by whom?) to be when tax equates to 40% of GDP, the position we are likely to exceed shortly. I'm always amazed at how fundamentally law abiding we are in this country. By comparison, in Italy a third of the work force is off the books. [Mind you, the Italians have always had 3 sets of accounts: one for the bank, one for the taxman and one actual.] In Greece, it's probably higher and the Russians are thought to have a black economy at least equal to the legitimate economy. No wonder the Eastern European countries are heading towards flat rate tax regimes.

## CGT trap

I am led to believe that approximately a third of professional indemnity claims against accountants arise over Capital Gains Tax (CGT). CGT is incredibly complicated and, in the past, the Revenue have tended to wave through computations on the grounds that it takes up too much man power to check them. Taper relief replaces the old retirement relief and came through in 1998. The rules have been tinkered with continuously and are now almost incomprehensible. Where a business asset is sold, people expect to pay tax at the 10% (taper) rate. Frequently, and for one obscure reason or another, the taper is deemed to be "tainted" and a higher effective rate is paid. And then it's the accountant's fault?

## VAT late payments - default surcharges

I found this in another accountant's newsletter (complete with split-infinitive; but I'm not crowing): If you have been obliged to make a late payment of VAT resulting in a default surcharge - primarily due to unforeseeable and unreasonable late payments made by your customers to you - then under certain circumstances you may be able to appeal against this surcharge.

Insufficiency of funds is not normally a reasonable excuse for non-payment of VAT, so how do you know which late payments may give grounds for an appeal? The following points should give you guidance:-

- Could you have reasonably foreseen the late payment or are they due to sudden events beyond your control? (e.g. late withdrawal of overdraft, late payment by an otherwise reliable customer, insolvency of a large customer, fraud, burglary or act of God?)
- Did you receive enough money within the quarter to cover the VAT payment?
- Have you taken reasonable steps to overcome the difficulties you face in payment of your VAT?
- Are you tied to a single or very few customers (for instance a county council or government department?)
- Have any actions by HM Customs and Revenue contributed to your problems (late reply to correspondence, investigations or late repayments, for instance?)

Successful appeals have been made where the responsible person (bookkeeper, proprietor etc.) has fallen ill, absconded, died or otherwise has been unable to deal with the computation or payment of a VAT return on time. ("The dog ate my homework" principle?)



### Long firm fraud

There was quite a lot of publicity a couple of years ago about fraudsters hijacking companies by filing returns to change the directors of the company, without the real directors being aware of it. This has now progressed to the filing of entirely fictitious sets of accounts to establish credit worthiness and launder transactions with normal companies. Interestingly, the fraudsters also make up their own audit reports, but frequently use the name of real auditors. As filing Annual Returns on line has proved, the technology exists to solve the problems. However, Companies House is more interested in issuing filing fines than checking that the section numbers on the balance sheet are correct. I bet they don't worry about that in Russia.

### H & S Jobsworths rule

There are plenty of stories doing the rounds about the excessive zeal shown by Health and Safety officers. I particularly liked this story from Mike Nutt:

An un-named corporate headquarters in the M4 corridor was laid out with lawns and lakes etc and therefore required a contractor to cut the grass. One fine day the boss of the contractor had the H&S officer on the phone advising that his men should not be cutting the grass around the lake in case one fell in. The contractor had an answer for this and explained that his men worked in pairs to cover this risk. The H&S officer was not satisfied. She wanted one man working while the other watched and she wasn't joking. Naturally, the contractor got on to the MD of the headquarters and threatened a price hike. It took a month to get around H&S and the contractor demanded written confirmation that he was not in breach of the regs.

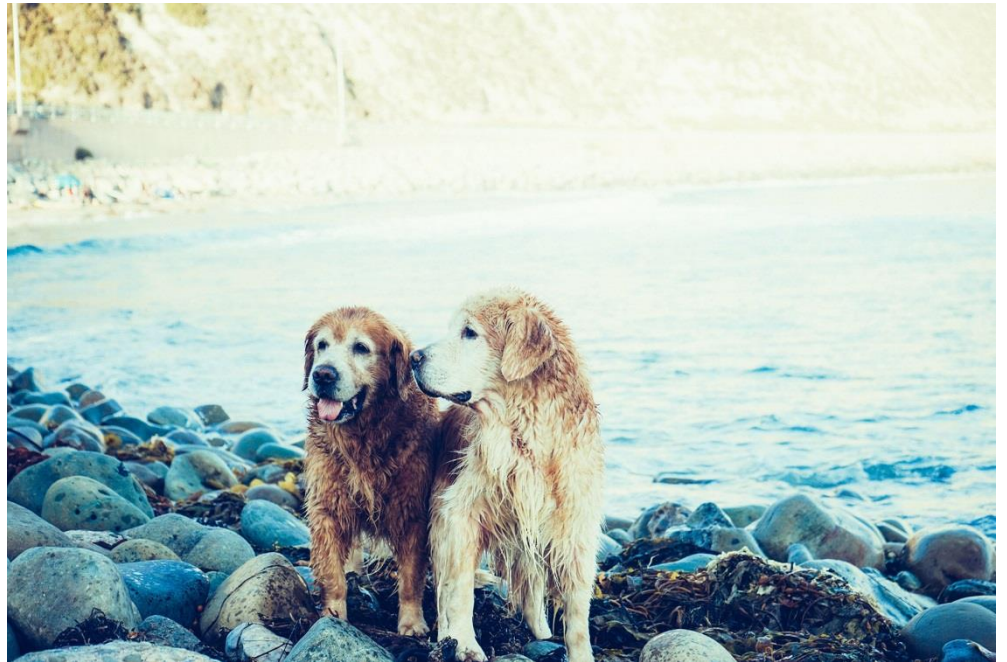
### Disclaimer

Psychometric tests are probably more effective than nicotine patches and less effective than Viagra. Another triumph for statistics?



## Chris Duckett Limited

Network House , Thorn  
Office Centre  
Rotherwas  
Hereford  
HR2 6JT



Telephone [01432 370 572](tel:01432370572)

Email: [clients@chrisduckett.co.uk](mailto:clients@chrisduckett.co.uk)

Website [www.chrisduckett.co.uk](http://www.chrisduckett.co.uk)