



April 2006 Newsletter

Budget special. More technical than usual.



Christmas in no longer cancelled

That's the good news from the budget. If we've got to get Tax Returns filed by the end of November (starting in 2008), then we won't have to spend all Christmas fighting with them. Summer holidays will have to go instead. I guess we've got another 2 seasons to get more efficient.

I've always been extremely reluctant to file Returns early as this just gives the Revenue longer to look at them. They are due to remove this impediment by setting the enquiry window for 12 months after the filing date. I'm not convinced about this, but we can't realistically second guess the Revenue's workflow patterns.

I'll think about the trust changes next month. New wills all round?

Corporate mind games

Revolt of the desk slaves. The realisation has struck that most of the fancy new management techniques are actually the same as those used by religious cults to brainwash followers. Rather like the dehumanisation employed by the military during basic training:

- Breakfast seminars – sleep deprivation always breaks down resistance
- Five minute massages – really creepy
- Work/life balance seminars – held at 7pm on a Friday evening?
- 360 degree performance reviews – all shall love me and despair?
- Dress down Fridays – only 5 outfit changes before leaving home

I believe!

SIP

Session initiation protocol. A combination of chat-up-line and foreplay? Love by numbers. Not to be confused with SIPP – Self invested pension plan.

A-day has come and gone. Be very confused. I am.

Tied up in nots

Anybody who has seen me in uniform will know that I have a real problem in doing up my tie. Got told of for it at school. Boss assured me I'd never get promoted. I just don't care www.tie-a-tie.net

Biometric security

In some US stores, you can now pay the bill by swiping your finger across a scanner. As ever, not everybody is convinced that the system is totally secure. The theory is that your body becomes your ID and your fingerprint is coupled to a PIN number. Given that we are unable to store credit card details securely, what is to stop finger print data from being stolen? There is the story of a Malaysian businessman whose S-class Mercedes was secured by biometric methods. When his car was stolen by carjackers, they got frustrated with the fingerprint immobiliser and simply hacked off his finger. Very James Bond and the Eyeball.

800 people and a spreadsheet

As a professional accountant, I've lived and breathed spreadsheets for nearly 20 years. They are a fact of life. I was therefore bemused by the story (malicious urban myth?), as related by a client of a client (a creative type), who attended a sales meeting which climaxed with 800 people giving a standing ovation to a spreadsheet. When challenged by my client, the man in charge said "Yes, but it was a helluva spreadsheet".

Microsoft says "IT does matter" maybe

Microsoft's guy-in-charge of small to medium sized business recently gave a presentation to the Institute's IT Faculty discussing the relevance of IT. The talk was reproduced (verbatim) in the Faculty newsletter. So, I read it with interest. Behind the jargon, he said (I think):

- MS rules the world with Word, Excel and system platforms (MS Exchange)
- They bought a couple of accounting systems to see how they worked and with a view to building Word/Excel into the accounts process
- As a precursor to this, they asked customers (all over the world in all sorts of industries) how they used their accounting systems
- they then reduced this info into a series of key questions (Gallup-style) and found a direct correlation between IT/systems competence and growth
- and concluded that IT really does matter, at least for medium size companies

The other stand-out comment from this talk was the realisation by (medium size) companies that they are all in the customer service industry. Whatever they do or make, the objective must be to allow the customer to do his business more effectively. The days of selling a product and walking away (box – shifting) are long gone.

Directors' responsibilities & insurance

The new Companies Act is on its way and there is lots of justification about cutting red tape etc. However, the Act also codifies directors' responsibilities. To cut a long story short, directors have to act in the best interests of the company: very much in line with the "fiduciary duty" of the old Act, but more wordy and bigger in scope. This then raises the possibility of the company insuring the directors against somebody (especially the shareholders) suing them ("D&O insurance: Side A&B). Beware "vulture funds"? I suspect such insurance will be mandatory within a decade.

Lies, damned lies and consultants

Try www.leanuk.org

Taxation of the Single Farm Payment
This problem made it to the national press. Sparkle and I have looked at the Revenue's guidance and we can't really understand. If you have a year end between 31 December 2005 and 31 March 2006, then the SFP falls into 2005/6. Any other year end and I don't know the answer. Given all the fuss, the story may change?

Auditing – limit goes up by 20%

A bit more good news, particularly as the new international standards are now in place. I would suggest that the real agenda is being driven from the US and is gradually percolating down to us. Under Sarbanes Oxley, directors have to sign-off to say that the internal controls of the company all work. If they don't, the directors face jail. I don't like the prospect of jail just because the petty cash book doesn't balance?

Further extortion

In a recent newsletter, I threw in a one-liner about the Revenue charging penalties for technical adjustments, but I'm not sure I made the implications clear. In the non-corporate world, accounts are produced using traditional accounting principals. They then get adjusted to satisfy a completely different set of tax rules and these adjustments are shown on the face of the Tax Return. For example, an add-back is required for private motoring. I've always taken the view that, whatever adjustment you make, the Revenue will always go for a higher figure, so you may as well start off low. After all, these figures are just estimates. However, if the Revenue is going to charge a 20%+ penalty on an under estimate, then maybe we should think again? A penalty is charged for negligence. Whose, exactly? Comments to dontsueme@chrisduckett.co.uk

Filing on line & p11d

After last year's fun and games over filing year-end PAYE returns on line, the excitement is to be repeated this year – and for the same £250 carrot (plus exclusions). To be fair, the filing process worked well, as long as you didn't try to do it in office hours in the 2 weeks before the deadline. The problems occurred when it came to getting the £250 out of the Revenue. Remember, the £250 is tax free, but netting it off against PAYE paid makes it hard to find in accounting terms. The filing deadline is 19th May. The other PAYE issue that gives problems every year is Form P11D which discloses benefits in kind for directors and employees earning £8,500+ pa (nearly everybody?). Very few benefits do not generate a NI hit ("Class 1A NI" – why not call it tax?) and this is payable by 19th July. The penalty for failing to get the form right (or, indeed, in on time) is unreasonably large and causes Sparkle considerable angst.

Management hasn't changed

I was flicking through an old copy of Harvard Business Review (I'm sorry), when I came across a very old (1975) article on management by Henry Mintzberg. Buried within the article is an excellent self-study questionnaire. Give it a go yourself, or better yet, let the Boy Scout go through it with you management@chrisduckett.co.uk. Assuming you can bring yourself to answer the questions, that is.

Tax tips

One of my sources of good information, written from a non-technical viewpoint. www.indicator.co.uk There's a lot more on here than just tax.

Home computers

The budget unexpectedly removed the ability to buy computer kit for people to use at home without a tax hit arising. This came as a big surprise to the DTI ("HCI"?), who were promoting the idea quite aggressively up until the week before the budget. The change takes effect from 6th April, so kit provided before that date is still not taxable. However, it appears that upgrades (such as antivirus software) are taxable. In other words, the whole deal has become mind-numbingly complex (for no good reason). My advice is to get disclaimers from everybody confirming that the kit is "wholly, exclusively and necessarily" for business purposes and hope it's too hard for a PAYE Inspector to quibble about.

VoIP – voice over IP

This is the telephone calls over the internet deal. Skype has been growing rapidly and appears to work wonders for your phone bills. However, this is primarily a retail service and business users need to be aware that Skype, in particular, leaves your network wide open to hackers. Allegedly.

www.voip.org.uk

On a more positive note, VoIP does appear to offer lots of flexibility, particularly as broadband speeds increase. The option to convert voice mail messages to e.mail may also be useful. But I'm not sure how/why?



Who will buy my shares?

As the Boy Scout will tell you, there are 3 ways to leave your business (but lots more where lovers are concerned):

- Death in service
- Bankruptcy/wind-up
- Sale/gift

The Dotcom circus raised the profile of business growth with a view to flotation (Built to Flip), but the reality is more likely to be a trade sale (to a larger competitor of some sort). Where a company is being sold, accountants always fuss about the sale of assets from the company as compared to sale of the company's shares. Sale of shares suits the seller: sale of assets suits the buyer. What had escaped me, until a recent lecture on the subject, is that, in practice, the buyer dictates the terms. A bigger company will insist on buying the assets; or no sale. And forget the seller's tax planning – even if I can talk on the subject for at least an hour without pausing for breath.

More to life than work

A couple of years ago, Po Bronson's "What should I do with my life" was a Book of the Month. Arguably, he's now flogging a dead horse:

<http://r.vresp.com/?PoBronson/b38d60e38a/524588/f725168063/fa29012>

<http://r.vresp.com/?PoBronson/e6359757f7/524588/f725168063/fa29012>

I'm still trying to decide what I'm going to do when I grow up.

Disclaimer

Everything is nothing. Nothing is everything. But sometimes it's fun.

Somebody said that on the BBC.

Incidentally, if you think the newsletter is too long, then don't read all of it?



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