



August 2009 Newsletter

Dead cat bounce special. I'm writing this slowly as everybody appears to be on holiday for August. I apologies for the tax bias, but they are out to get you.



Book(let) of the month

"How the Mighty Fall: And Why Some Companies Never Give In" by Jim Collins.

This is the follow up to "Good to Great" which came out in 2003. One of the G to G companies was Fannie Mae which went bust earlier this year. Collins deals quickly with this potential embarrassment and proceeds to show why he's right about everything else. The Boy Scout and I have also listened to the audio book of G to G and we can both wholeheartedly recommend it.

<http://www.jimcollins.com/books.html>



Name & shame?

HMRC has announced a plan to publish details of taxpayers who get caught for deliberately avoiding £25k or more of tax/VAT. How this could possibly be deemed to be a deterrent is completely beyond me. Presumably, if you get 5 mentions you're automatically made an MP? Rather like ASBOS.

Tax amnesty

As expected, HMRC has announced a second offshore tax amnesty for holders of overseas bank accounts. It will be referred to as the New Disclosure Opportunity (as opposed to the old one?) and will close March 2010. I really hope that (this time) nobody has anything they've been meaning to tell me (but haven't quite got round to).

Long live XP

Microsoft has finally caught up with the IT world and quietly conceded that Vista doesn't work properly by announcing the launch of Windows 7:

"Current data shows that Windows XP has nearly **63%** of the total operating systems market with Vista coming in second at approaching **24%**. (13% for the rest?)."

Furthermore, Windows XP remains a popular operating system for the low-cost netbook category of computers, which look like showing no signs of abating. It is unlikely that Windows Vista will be seen in netbooks in the recent future, as it is too resource hungry for them to support well.

Whether the withdrawal of support will encourage companies to switch from XP to Vista, or whether they will wait for Windows 7 to appear, remains to be seen."

The king has no clothes.

Car tax changes

This is deadly dull (but it's August):

From 2010/11 the lower threshold for CO₂ emissions figure will be reduced to 130g/km (from 135g/km).

From 2011/12 the lower threshold for CO₂ emissions figure will be reduced to 125g/km. In addition, the current £80,000 list price cap used to calculate the company car tax will be abolished and current discounts given to cars using alternative fuels (such as bio-fuels and bioethanol) will be removed.

Text messages from HMRC

HMRC are currently exploring new ways of making contact with taxpayers. This includes HMRC leaving an automated voicemail or sending a text message. Both of these methods are currently only being used to ask taxpayers to call HMRC rather than to provide any other specific advice or information. So, when you get a message saying you owe them £1m and the bailiffs are on their way, it's purely for information. How very reassuring.

No hot air

Whilst I am not at all keen to express a viewpoint in the Great Global Warming Debate, I came across an excellent summary of the energy shortfall we face – "Sustainable energy – without the hot air" by David MacKay. Better yet, you can download the executive summary from the web (for free) <http://www.withouthotair.com/>

Comparative energy costs are great fun: "If we all do a little, we'll achieve a little."

SWOT v SOS

Any business that is still in good shape (and has some cash left), must be bracing itself for the surge in opportunities that will arrive in the next 12 months. The traditional consulting tool is the SWOT (Strengths, Weaknesses, Opportunities & Threats) analysis. Given that Weaknesses and Threats are not the problem at the moment, then we need to focus on the other two. The Sage of Bishopswood suggests adding a third ingredient (Spirit) to give an SOS analysis. A full analysis of strengths is actually quite hard, but the objective has to be to allow you to sell the right things to the right people for the right price. Hedgehog principle in Collins-speak. Opportunities must follow strengths. Spirit is about having the right people on the bus. <http://www.strengthsacademy.com/3-tips-for-doing-a-proper-swot-analysis>

Online VAT

As everybody with a turnover of more than £100k pa has to file their VAT return online by April, I thought we should bite the bullet and start to file clients' returns online with immediate effect. The big difficulty is getting past the security questions, particularly the one which asks when you registered for VAT. Getting the answer to this question is tricky, but I have learnt that most farmers registered at the start of VAT – 1st April 1973. Whilst completing the return online is not hard, you also have to pay online. Farmers, of course, get refunds. So far, so good, but if you still do your own returns manually, I suggest you go through the learning curve before it becomes compulsory.



What is goodwill? And who cares?

Valuation of goodwill is important for both tax and commercial reasons. In theory, goodwill is the net present value of future income streams and therefore the price that a willing buyer will pay for the company. In practice, there are various more or less complicated methods to come up with an answer (which then forms the basis of a negotiation). There are different types of goodwill depending on the nature of the business. Animal farm analogy:

- Dog - faithful to person/business not location
- Cat - faithful to location not person
- Rabbit - comes because it's close
- Rat - casual, attracted to neither person nor location

The distinctions are particularly relevant when dealing with the Revenue (who treat the whole GW business as a precise science not a best guess). So, if we are incorporating a business where location is critical (eg a restaurant), the Revenue can insist that an element of the value is actually the granting of a lease and tax it accordingly. Conversely, if the goodwill depends on the skills of the proprietor (eg consulting actuary?), then they won't accept that the goodwill is saleable at all. Rat goodwill is best.

the rules. Eventually, no matter what they did, Team A could not win.

Team A still winning

Some time ago I relayed the Malcolm Gladwell Team A v Team B story. The US military decided to play war games and appointed an intelligent maverick to play the enemy (Team A). This guy was not overawed by the firepower/reputation he was up against. His men immediately stole a cruise missile and sunk the US aircraft carrier, thereby winning the game in minutes. The planners in charge decided that this wasn't fair, changed the rules and tried again. Team A kept on winning: Team B kept changing

Compare and contrast with the following excerpt from Taxation magazine:

"Perhaps the saddest problem that HMRC relate is that on some occasions the taxpayer (usually a small business), having commenced negotiations concerning the disputed status of workers with the assistance of a general practice accountant, subsequently switches to a tax specialist who comes up with all sorts of arguments that confuse and confound HMRC's officers with the result that HMRC are forced to concede the case- sometimes just before an appeal hearing. This costs them lots of money and

causes frustration. Welcome to the world of the Tax Advisor."

Disclaimer

"We are rapidly moving towards a society that is dominated by people in uniform. The state's claims are increasingly absolute. That's happened in a very, very brief period of time. We are in danger of creating a worse situation than the one we are fearful about." Richard Overly, author of "The Morbid Age: Britain between the Wars".

A variant on the teenage girl mantra "Work harder: eat less".





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