

in passing...

Picture: Jeanne Aldridge

“Champions aren't made in the gyms. Champions are made from something they have deep inside them - a desire, a dream, a vision.”

Muhammad Ali, American Boxer

Jon Tenconi • Openside Flanker • Henley Hawkes



Just when you thought it was safe to go back into the water...

Against a background of constant scrutiny by Her Majesty's Revenue and Customs (HMRC), Peter Davies of Vantis Tax (and a former tax inspector) looks at the causes behind HMRC's interest in the sector.

Recent news that the hospitality industry is facing another wave of scrutiny by HMRC - this time into the issue of staff benefits - will no doubt be received with a collective groan by the UK's restaurateurs, hoteliers and publicans. Just as the tronc issue begins to settle down HMRC has shifted its focus meaning more enquiries and potential demands for arrears of taxes from hard-pressed businesses. It's fair to ask why the hospitality industry is always in HMRC's spotlight.

Let me repeat a quote that I read, and used to quote extensively as a tax inspector, a couple of years ago. "Some [people in the hospitality industry] still run their business with the aid of numbers biro'ed on bits of paper, random amounts of cash, late-night backhanders, flaky invoices and other examples of the dim and the dubious. These people are going to have to grow up, get a proper set of accounts, run their payroll like a business instead of a hobby and sort out their finances."

It's not a quote from the Revenue but came from the (then) editor of a well respected Hospitality industry magazine. Individually, you might look at the way in which your business is run and feel that this is grossly unfair, but unfortunately there are many other businesses that fit into this description only too well.

Think of the Revenue as a great white shark. It's big, moves very quickly when the mood takes it, has a voracious appetite and can spot a good meal a mile off.

Your tax inspector is always on the lookout for businesses that might not have "grown up". Once a good source is spotted, he will keep coming back for more. Inspectors find the same problems cropping up when visiting restaurant businesses and take the view that these aren't isolated instances but symptomatic of an industry-wide problem.

Tronc was a perfect example. It's true to say that within too many businesses the systems in place were inadequate or, at worst, outside what HMRC considered acceptable. For the majority, this was due to ignorance rather than anything more sinister, but HMRC had found what it considered an excellent feeding ground and promptly leapt in.

So what's the answer? Well, if you can disregard our vested interest in saying this; it is as simple as investing in good high-quality professional advice from the start.

- Get things right
- Keep things simple and transparent
- Keep proper records and audit trails
- Reduce the amount of tax which both you and your employees pay (in ways that won't cause you a problem later).

Good advice costs money of course but the consequences of getting it wrong outweigh the cost. Without sturdy precautions from the start, you are just another prospective meal for a hungry shark.

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