

# hotels update

September 2007

Welcome to the latest edition of Hotels Update, our twice-yearly round-up of business and financial news affecting the hotel and leisure sector in the North West.



Moore and Smalley's experience in advising clients in the leisure and hotel sector is extensive. Our specialist tax and VAT advisory services mean that our clients in this sector are able to minimise their business and personal tax bills and maximise their income. Our specialists in the fields of Accounting, Corporate Finance, and Human Resources are also on hand for when our client's businesses need their support.

If you have any ideas of issues that you would like to see us cover in future editions please contact us at [info@mooreandsmalley.co.uk](mailto:info@mooreandsmalley.co.uk) or call 01772 821021 (Preston) or 01253 404404 (Blackpool).

Regards

**Andrew Norman**  
Leisure Sector Partner

**MOORE & SMALLEY**  
CHARTERED ACCOUNTANTS AND BUSINESS ADVISORS

## ARE STAFF DISCOUNTS WORKING FOR YOU?

As a hotel owner, one way of trying to ensure greater loyalty and levels of motivation for your staff (whilst also boosting your turnover and profits) is by offering staff discounts. Discounts on hotel rooms, meals or health club memberships through your hotel are attractive 'perks' to your staff, but before offering them, you should be clear regarding the income tax and national insurance implications.

Benefits-in-kind that take the form of the goods and/or services provided by an employer (in the normal course of their business) are known as "in-house benefits". The rules on this subject were established in the classic case of *Pepper vs Hart*, which determined that where an in-house benefit is provided, it should be valued on the extra or marginal cost to the company of providing it.

In order to determine whether a taxable benefit arises, you need to compare the marginal cost to you as the employer of providing the good or service (this does not incorporate fixed costs such as rent etc) with the discounted amount that the employee will pay for the good or service.

For example, if the selling price of a hotel room is £80 for a night and your staff are given a 20% staff discount then they will only pay £64. Assuming that the marginal cost to you of providing that room is £50 per night (incorporating your overheads, divided on a per room per night basis) then the staff member is paying more than the marginal cost and there is no benefit-in-kind. Additionally you are still making £14 profit per night on the room!

However, if any employee earning more than £8,500 per year pays less than the marginal cost of a good or service, a taxable benefit arises which must be reported on a P11D. Consequently there will be income tax and employers' national insurance to pay.

**For business advice tailored to the specific needs of your business, contact Andrew Norman, Partner, on 01253 404404 or [ran@mooreandsmalley.co.uk](mailto:ran@mooreandsmalley.co.uk).**

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- ◆ Changes to annual leave entitlement proposed
- ◆ Don't be too casual

# COULD BPRA HELP YOUR BUSINESS?

Business Premises Renovation Allowance is a capital allowance that provides full tax relief in the form of a 100% capital allowance for any conversion or renovation expenditure. It was introduced in the 2005 Budget, with the aim of regenerating business premises in geographic areas determined by the government to be 'disadvantaged areas'.

In order to qualify for the relief, you must comply with several conditions, the key one being that you or your business needs to own or lease a commercial property that has been vacant for a year or more, in one of the council wards that have been designated as a 'disadvantaged area'. The local council wards that can currently attract BPRA in Lancashire are as follows (if you are thinking of investing further afield, we can provide you with a full list of 'disadvantaged areas' in the country):

## North Lancashire / South Cumbria Local Authorities

### **Barrow-in-Furness:**

Barrow Island, Central, Dalton North, Dalton South, Hawcoat, Hindpool, Newbarns, Ormsgill, Parkside, Risedale, Roosecote, Walney North, Walney South.

### **South Lakeland:**

Broughton, Crake Valley, Low Furness & Swarthmoor, Ulverston Central, Ulverston East, Ulverston North, Ulverston South, Ulverston Town, Ulverston West.

## East Lancashire Local Authorities

### **Blackburn with Darwen Unitary Authority:**

Audley, Bastwell, Corporation Park, Earcroft, East Rural, Ewood, Fernhurst, Higher Croft, Little Harwood, Marsh House, Meadowhead, Mill Hill, Queen's Park, Roe Lee, Shadsworth with Whitebirk, Shear Brow, Sudell, Sunnyhurst, Wensley Fold, Whitehall.

### **Burnley:**

Gawthorpe, Hapton with Park.

### **Hyndburn:**

Altham, Clayton-le-Moors, Rishton.

## South Lancashire Local Authorities

### **Bolton:**

Blackrod, Central, Daubhill, Derby, Farnworth,

Halliwell, Harper Green, Kearsley.

### **Wigan:**

Abram, Ashton-Golborne, Aspull-Standish, Atherton, Beech Hill, Bryn, Hindley, Hindley Green, Hindsford, Hope Carr, Ince, Leigh Central, Leigh East, Lightshaw, Newtown, Norley, Orrell, Swinley, Whelley, Winstanley, Worsley Mesnes.

## West Lancashire Local Authorities

### **West Lancashire:**

Bickerstaffe, Birch Green, Digmaor, Moorside, Skelmersdale North, Skelmersdale South, Tanhouse, Up Holland.

Capital allowances claims can be complicated, but this should not discourage you from making a claim. Specialist advice can make the claim process considerably quicker and easier than attempting to 'go it alone'. If you are considering purchasing and renovating a hotel (or other business premises) in one of the above areas, why not call us and see how much you could save?

## **Moore and**

**Smalley's specialist tax team advise our clients on a variety of ways in which they can reduce their personal and business tax bills. To find out how we could make our mark on your business, contact Stuart Hinnigan on 01253 404404 or e-mail [swh@mooreandsmalley.co.uk](mailto:swh@mooreandsmalley.co.uk).**



# CHANGES PROPOSED TO ANNUAL LEAVE ENTITLEMENT

Following their latest consultation on annual leave entitlement, the Government have announced their plans to increase the statutory annual leave entitlement. Workers will be entitled to 4.8 weeks' statutory holiday a year (24 days if they work a five-day week) from 1 October 2007 and 5.6 weeks (28 days if they work a five-day week) from 1 April 2009. The entitlement to additional statutory annual leave begins on the first day of the employee's employment and there is no qualifying period for employees to receive the additional holiday entitlement.

The additional entitlement may include time off for bank and public holidays. However, employers will not be required to allow workers to take their holiday on bank and public holidays and they may require workers to use the additional days at other times.

The statutory holiday entitlement will be capped at 28 days even if a worker works six days.

From 1 October 2007 to 1 April 2009, provided that both the worker and the employer agree, the employer will be permitted to replace the additional holiday entitlement with a payment in lieu. However, four weeks' leave must still be taken as holiday in each year. From 1 April 2009 payment in lieu of the additional leave entitlement will be permitted only on termination of employment.

Four weeks' holiday must be taken in each leave year. However, provided that both the worker and the employer agree, any unused additional holiday entitlement may be carried over into the next leave year. An employer may require any leave that is carried over to be taken within a specified period within the next leave year.

**For more advice on Payroll and HR Issues, contact HR Consultant, Tina Clayton at [tmc@mooreandsmalley.co.uk](mailto:tmc@mooreandsmalley.co.uk).**

## IS YOUR HOTEL IN NEED OF A MAKEOVER?

With hotels and guest houses in the Lake District forecast to spend in excess of £12m on renovation and development this year, getting interior design right is becoming an increasingly important part of satisfying guests' expectations.

Help is at hand from the Lakes Hospitality Interiors Show, which takes place on the 16th and 17th October at the Windermere Hydro Hotel.

"We are delighted to be supporting this event because continuous improvement to the tourism offer is essential if Cumbria is to maintain its position as one of the best destinations in the world," Richard Greenwood, director of development at Cumbria Tourism, commented.



# DON'T BE TOO CASUAL!

The hotel and leisure sector is particularly reliant on cheap casual labour, but the cost of casual labour can increase dramatically if you fall foul of HMRC for not obeying the rules relating to this practice.

If you employ someone for a few hours or days and you don't pay more than £100 per week (and you don't expect to employ them again in the same tax year) then you don't have to deduct tax from the pay packet. However you do need to keep a record of who you have paid, their address, the amount paid and the date as the taxman takes a real interest in cash payments.

If you pay someone more £100 per week, then you must deduct tax. If you do not know their PAYE code then use the emergency tax code on a week 1 or month 1 basis, and if they have another job at the same time then deduct 22% in tax from all their pay and apply national insurance in the normal way.

If you take on students during university and college vacations (so long as they plan to return to college) and they expect to earn less than £5,225 in the tax year then you can ask them to sign a form P38(S), which allows you to pay them tax-free using an 'NT' code. You must still deduct national insurance if they are earning more than £100 per week. Also, if the student works during term-time then they must be treated as a normal part-time worker.

## National Minimum Wage Rates:

From 1<sup>st</sup> October 2007, the National Minimum Wage rates will rise to:

£3.40ph for workers aged between 16 and 17

£4.60ph for workers aged between 18 and 21

£5.52ph for workers aged 22 and over

The taxman will investigate any discrepancies on the PAYE returns or if a worker later complains that they were not paid enough, so you need to know the date of birth (from a passport, driving licence or birth certificate) of each of your employees to ensure that their pay is at least equal to the National Minimum Wage rate for their age range.

For more advice on Pay As You Earn and other employment tax issues, contact Carol Watters at [cgw@mooreandsmalley.co.uk](mailto:cgw@mooreandsmalley.co.uk).

## FOOD EXPERT BACKS LANCASHIRE FLAVOUR

Lloyd Grossman OBE, former host of BBC TV's Masterchef and more recently the inspiration for a successful range of cooking sauces, has agreed to become Patron of Taste Lancashire 08, Lancashire's forthcoming food and drink year.

Taste Lancashire 08, co-ordinated by Lancashire and Blackpool Tourist Board and supported by the Northwest Regional Development Agency (NWDA), will include food festivals, promotions by producers and retailers, competitions, celebrity recipes, information on local foods and drinks, a host of special shortbreak offers aimed at visitors, wider promotion of the tourist board's Taste Lancashire assessment scheme for eateries and the championing of young chef skills.

A campaign website [www.tastelancashire08.com](http://www.tastelancashire08.com) has already been set up and is being developed.

## THE HOTELS TEAM



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