

hotels

update



Welcome

to the first edition of 'Hotels Update', Moore and Smalley LLP's update for hotel owners. I hope that you are enjoying a busy and profitable start to the season.

- ◆ In our issue we have looked at a number of areas of interest to hotel owners, including:
- ◆ The Chancellor's attack on capital allowances and its effects on the hotel sector.
- ◆ Forthcoming and proposed changes to employment legislation, an area of growing complexity and a mounting area of frustration for hoteliers.
- ◆ HMRC's current online filing project – filing VAT returns online.

A round-up of hotel, leisure and tourism news from Lancashire, Cumbria and beyond.

If you would like to find out more about our services to hotel and bed and breakfast owners, please contact me on 01253 404404.

We hope you find the latest edition of interest, if there is anything you would like to see in future editions, please contact us at info@mooreandsmalley.co.uk.

Andrew Norman
Partner

Little Relief From Outgoing Chancellor

The hotel sector had reason to be cheerful prior to the Budget, with the announcement that the Government would not be implementing the Lyons report recommendations of a 'tourism tax' levied on hotels and guest houses by local authorities. However by the time the future Prime Minister sat down after his speech, the industry was reeling from a number of very costly changes.

The Chancellor's Budget included major changes in capital allowances from 2008/09 which will reduce substantially the reliefs available to many businesses, particularly those investing heavily in buildings, plant and machinery and fixture, fittings and equipment.

1. Gradual removal of Industrial Buildings Allowances (IBA)

These allowances affect not only the industrial sector but also the hospitality sector as many hotels qualify. Whilst the rate of the allowance is only 4%, with building costs generally being high and on the increase, IBA has been extremely valuable.

From 2008/09, IBA is to be phased out at the rate of 1% per year, with the final withdrawal by 2010/11. Some changes to the scheme have already taken effect and anyone buying or selling from then needs to know that the rules have changed.

2. Reduction in Plant and Machinery Allowances

Currently plant and machinery allowances are given at 25% per annum reducing balance. From 2008/09, this rate will be reduced to 10% for certain buildings' fixtures and 20% for other plant and machinery. The effect of these reductions will be considerable, especially in relation to buildings' fixtures which can be a large part of the cost of investment in new building.

The table below shows how much of the total cost can be written off for tax over the first 5 years under the present and proposed new rates.

Rate of allowance	Percentage that can be written off
Current rate (25%)	76%
New plant and machinery rate (20%)	67%
New buildings' fixtures rate (10%)	41%

Whilst some increases in certain allowances have been announced, these are likely to have only marginal importance.

The Chancellor's changes will hit hotels that are classified as a 'small business' hard, coming as they do in conjunction with the increase in the rate of corporation tax for small businesses from 19% to 22% by 2009. This will clearly discourage investment in modernising hotels and providing additional facilities for guests.

Even large companies, whose corporation tax rates are going down from 30% to 28% will still suffer from the changes to capital allowances. An operator building a new hotel at a cost of £15million could be faced with an increase in tax of nearly £1million over the next five years because of the changes.

The final insult with the capital allowances changes is that they will actually remove the tax relief from those companies who invested long before these changes were announced. The industrial buildings allowances gave tax relief of 4% pa over 25 years. A company which invested 4 years ago will have only received relief on 16% to date though it will have invested in the expectation of 25 years of tax relief. To find the Government withdrawing most of the relief for the next 21 years will be a huge shock.

For advice on minimising your tax liabilities and maximising your use of available allowances, please contact Tax Partner, Stuart Hinnigan on 01253 404404, or info@mooreandsmalley.co.uk.



Changes to Employment Rules Ahead

Following a year that has seen a wealth of changes to employment legislation, particularly age discrimination legislation, which businesses have to keep pace with, 2007 already has seen major reforms, with yet more still to come. Forthcoming changes include:

- ◆ From 1st April 2007, the Work and Families Act extended maternity pay from six to nine months. The plan is to extend it again to twelve months from 2008. The act also makes changes to adoption and paternity pay.
- ◆ It is being proposed that the 'three waiting days rule' (i.e. the time before employees are entitled to Statutory Sick Pay (SSP) should be scrapped. It is feared that this will increase the wage bills of small firms and may increase the number of sick days being taken by staff.
- ◆ Lord Turner's Pension Review has recommended that employers would be forced to contribute 3% of an employee's salary into a National Pension Savings Scheme, which would considerably increase employment costs.

It is important that you are up-to-date with the latest changes, however as they become more frequent, the task of keeping pace becomes more and more difficult. In addition, the costs of non-compliance can be substantial.

Employment issues can be extremely costly for businesses. Larger businesses or groups can afford specialist HR departments but what about the small business? Moore and Smalley offer a HR retainer service whereby our expert advisors can help you with both simple and complex employment support, for more information contact our HR Consultant, Tina Clayton on 01772 821021.

(PS. Also, don't forget the minimum wage is now £5.35 per hour for those aged 22 and over. The rate for those aged 21 and under is £4.45.)

News Update

The shortlist for the 2007/8 Lancashire and Blackpool Tourism Awards has been announced ahead of the ceremony on 20th June. The award for the Caravan Holiday Park of the Year will be contested by Marton Mere Holiday Village in Blackpool and Sunset Park in Hambleton.

Our congratulations go to Number One in Blackpool, and Stanley House in Mellor who won the Bed and Breakfast of the Year and the Small Hotel of the Year at the recent national Enjoy England Awards for Excellence 2007. Winning two of the twelve national awards shows how strong the tourism sector in the North West really is.

VisitBritain is reemphasising its commitment to accessible tourism and raising the standards of disabled access to accommodation, transport, attractions, restaurants and bars. For more information on accessibility and the National Accessible Standards, go to www.visitbritain.com.

Moore and Smalley LLP is a limited liability partnership registered in England and Wales: No. OC313896.
Registered office: Richard House, 9 Winckley Square, Preston, Lancashire PR1 3HP.
The term "partner" indicates a member of *Moore and Smalley LLP* who is not in partnership for the purposes of the Partnership Act 1890. A list of members is available from our registered office.

Registered by the Institute of Chartered Accountants in England and Wales to carry out company audit work.
Authorised and regulated by the Financial Services Authority.
Copyright © 2007 Moore and Smalley LLP. Any unauthorised distribution, copying or re-writing will constitute an infringement of copyright.

hotel
update

VAT Filing by Internet Launched

HMRC are rolling out their use of the internet by now encouraging businesses to file their VAT returns on-line. You don't need any specialised accounting software to file on-line, you will just enter the information on screen that you would normally write on the VAT return.

HMRC are offering a number of benefits to those businesses that choose to file on-line, namely:

- ◆ Helping to prevent calculation errors
- ◆ Giving instant confirmation that the return has been received
- ◆ Providing the facility to pay by direct debit
- ◆ Giving an extra seven days to file VAT returns
- ◆ Giving an extra ten days to pay VAT bills

As well as the 'carrot' of these benefits, unsurprisingly from HMRC, there is also a 'stick'. Over time, HMRC plan to make on-line filing of VAT returns compulsory, indeed it will be mandatory for large businesses from 1st April 2008, so it makes sense to get into the habit.

VAT and employer taxes can be complex, and as such specialist advice can be of real benefit for hoteliers. To find out more about how our specialist VAT and Employer taxes team can help your business, contact Carol Watters on 01772 821021.



Stuart Hinnigan, ACA CTA, Partner

Stuart joined the firm in 1994 as a student. He originally trained as a chartered accountant, qualifying in 1997 before moving into a specialist tax role with the firm and qualifying as a chartered tax advisor two years later. In 2005 he became a partner.

Stuart is involved with a wide portfolio of clients with a particular emphasis on owner managed businesses. He also works closely with the firm's corporate finance team to provide advice on the taxation aspects of corporate finance transactions.

sw h@moorea ndsmalley. co. uk



Carol Watters, Tax Manager - Employer & VAT Solutions

Carol has been working in tax since 1987, and obtained her ATT qualification in 1995. She joined Moore and Smalley in February 1997 from Pomfrets Chartered Accountants, having also previously worked for KPMG and the Inland Revenue. Carol advises clients principally on VAT, National Insurance, Employer Benefits and the Construction Industry Scheme.

cgw@moorea ndsmalley. co. uk



Tina Clayton, HR Consultant

Tina Clayton is a member of the Chartered Institute of Personnel Development qualifying with a post graduate diploma in personnel management in 1992. After spending 10 years in the construction industry she relocated from Leicestershire to Preston continuing her career in HR Management. Over the last 6 years she has been providing specialist HR consultancy support to small to medium businesses across a broad range of sectors in the North West. I

tmc@moorea ndsmalley. co. uk