



A welcome hotel guest? An Interesting Experience

Ralph Godley

When my hotelier client rang to say he had a letter from HMRC asking if he would like to take part in their new pilot risk based inspection regime, we were not immediately convinced it was a good idea.

The letter stressed that this was voluntary and that if he chose not to take part, it would not increase the likelihood of the business being chosen for a formal enquiry. At that point we decided we had no choice.

At the client briefing, prior to the meeting, I explained that HMRC are piloting a range of new compliance interventions targeting risks in specific trades or industry groups. By better targeting, their aim is to reduce the tax enquiry burden on businesses with a good track record.

From the meeting, the following were some of the interesting points and observations:

- Both inspectors fired questions
- Throughout we were referred to as 'customers'
- The questions covered tax, National Insurance and VAT
- Most of the record checks carried out were on sales, they were particularly interested to examine the audit trail from customer to bank
- They did a 'walk through' test on two day's activity at the hotel looking at guests staying, functions held and bar/restaurant takings
- They spent more time looking at petty cash expenditure rather than cheaper payments and checked very few payment invoices
- They accepted our word on things like mileage logs for director's cars, PAYE procedures on Eastern block employees, tips for staff and entertainment costs

After 2 hours they had finished. They thanked us for taking part and confirmed that the business would be classified as low risk, thereby reducing the likelihood of a full HMRC enquiry in the future.

Did we do right in allowing them to come? I think so. From discussions with the Inspectors, they indicated that those who declined the invitation would be considered high risk, thereby increasing the likelihood of a full formal enquiry.

These notes are for general guidance only. No liability is accepted by Streets for actions taken in reliance upon these notes and it is essential that detailed advice relating to the particular circumstances of the case in question should always be obtained before action is taken.

Streets is a trading style of Streets LLP, Streets Northern LLP, Streets Southern LLP, Streets Tax LLP, Streets Audit LLP and Streets Financial Consulting plc Streets LLP (registered number OC309545), Streets Audit LLP (registered number OC309381), Streets Northern LLP (registered number OC309382), Streets Southern LLP (registered number OC309380) and Streets Tax LLP (registered number OC309379) are all Limited Liability Partnerships registered in England. Their registered office is Tower House, Lucy Tower Street, Lincoln LN1 1XW. A list of the names of the members is available for inspection at this address. Streets Audit LLP is registered by the Institute of Chartered Accountants in England and Wales to carry out company audit work Streets Financial Consulting plc (registered number 2029793). Registered office: Tower House, Lucy Tower Street, Lincoln LN11 1XW. A list of directors is available for inspection at this address. Streets Financial Consulting plc is authorised and regulated by the Financial Services Authority
For regulation purposes, corporate finance work undertaken may be dealt with by Streets Financial Consulting plc, which is authorised and regulated by the Financial Services Authority

STREETS

Tower House
Lucy Tower Street
Lincoln
Lincolnshire
LN1 1XW

Tel: 01522 551200
Fax: 01522 533234

St Peters Chambers
2 Bath Street
Grantham
Lincolnshire
NG31 6EG

Tel: 01476 590838
Fax: 01476 590795

Halifax House
30 George Street
Hull
East Yorkshire
HU1 3AJ

Tel: 01482 225399
Fax: 01482 219964

Lloyd's Building
12 Leadenhall Street
London
EC3V 1LP

Tel: 020 7816 5827
Fax: 020 7816 5826

87 Park Road
Peterborough
Cambridgeshire
PE1 2TN

Tel: 01733 312191
Fax: 01733 896214

Churchgate House
33 Churchgate
Retford
Nottinghamshire
DN22 6PA

Tel: 01777 869955
Fax: 01777 869962

e enquiries@streetsweb.co.uk
www.streetsweb.co.uk