

# Trading as a % share pub operator



## **A guide for hospitality businesses.**

An increasingly popular and low-cost way to run a pub is with a manager/operator/franchise agreement.

This guide looks at what this is, and how it works.

# Contents

You can just read through the guide or jump to the parts you need.

To jump to a section just click or prod the title of the topic.

- [An overview](#)
- [What are Operator Share Agreements?](#)
- [Being self-employed](#)
  - [Your trading entity](#)
- [What do you get?](#)
  - [Your share](#)
  - [Bonuses](#)
- [What are your responsibilities?](#)
  - [Outgoings](#)
  - [Employees](#)
  - [Taxes](#)
  - [Managing your business](#)
- [Help and support](#)

# An overview

There are many names for this type of agreement:

- Retail agreement
- Manager share agreement
- Managed operator agreement
- Franchise agreement

... and the pub companies all have their own names for them such as Star Pubs and Bars Just Add Talent, Greene King's Hive & Nest agreements or Craft Union.

In this guide we'll keep it simple and call them Operator Share Agreements, and those running them as 'Operators'.

## What are Operator Share Agreements?

When you run a pub as a freehold, a lease or tenancy, *you* buy and sell all of the stock and *you* are responsible for running the business.

In a tenancy you usually have some support from a pub company, and you may share some maintenance responsibilities for example, but it is essentially your business.

In an Operator Share Agreement you are effectively a self-employed manager.

The pub owning business (pub company) is responsible for the majority of costs from buying stock to maintenance and usually covering the costs of things such as entertainment.

You provide your own skills as a manager and employ the staff needed to run the pub.

You may also pay some costs such as your own accountancy, some insurance and perhaps council tax if you live on the premises.

In return you receive a percentage share of the pub's revenue.

From this you pay your staff, your own business expenses, and yourself!

**Learn more about pub agreements with our free guide**

# Being self-employed

The most important thing to understand when looking into these agreements is that you are NOT employed by the pub company.

## **You are self-employed.**

This means you need to carefully manage your own business and own money.

When you are self employed, you need to decide on the type of business you will be running, known as the trading entity.

## Your trading entity

If you've not been self-employed before it is important to understand your options.

Click the button at the bottom of this page to go to our guide on trading entities where you can get much more information.

Some pub companies insist on you being a limited company, others don't.

So, it's important to establish this early so you can get the ball rolling.

There are 3 main options:

- **Sole trader**

Essentially, you are the business, and the business is you.

This means that profits are yours, and any debts are your too.

- **Partnership**

Very similar to being a sole trader but the profits and debts are shared between more than one person.

- **Limited company**

A Limited Company is a created trading entity that director/s are responsible for and can be employed by. This can provide a level of protection for directors from debts if the business gets into serious difficulties. Some suppliers or landlords will require a personal guarantee from a director though.

**Learn more about trading entities with our free guide**

# What do you get

Each pub company will have different ways of paying your business under these agreements. It is important you understand what deal is on the table from the outset, and as mentioned before a business plan is vital before committing yourself.

So, let's look at what you could earn.

## ○ **Share %**

The main income you receive under these agreement is the share percentage.

This varies but is typically around 20% of drink revenue (sales).

This would be NET of VAT though (the till total minus 20% VAT that the pub company pays to HMRC).

For example:

- Pub takes **£12,000** in drinks in a week.
- Minus VAT @ 20% leaves **£10,000** as NET revenue.
- You get 20% of that, being **£2,000**
- **Remember:** If you are VAT registered then you will pay VAT too, [see the VAT section](#).

## ○ **Food share**

Some sites will serve food and you will get a share of that in a similar way to the drinks sales, however often at a different (usually higher) percentage share.

Some agreements will allow you to keep all takings from food but require you to buy the ingredients. This is a combination agreement.

## ○ **Bonus**

Some agreements will offer a quarterly profit share/bonus.

For example, if the pub company makes an overall profit, you could receive a share of that.

Remember these bonuses are not guaranteed and should not be relied upon when financially planning, also as with all income bonus payments are subject to tax.

## ○ **Guaranteed income**

Some agreements offer a certain minimum income.

For example, if you are guaranteed a minimum of £2,000 per week, but your share is only £1,800 it would be topped up to £2,000

# Your responsibilities

It's not all about your income though.

Remember that you are self employed and no matter what trading entity you decide upon, you have a number of responsibilities to run you're your business effectively.

## Outgoings

Let's take a very basic look at how an average week could play out with income and outgoing using the income example we used on the [last page](#).

In this example we'll assume you are not V.A.T. registered, more about that [later](#).

Weekly income:	<b>£2,000</b>	=£2,000
Staff wages:	-£1150	=£850
Employers PAYE/N.I./pensions	-£160	=£690
Council tax:	-£35	=£655
Accountancy/payroll:	-£40	=£615
Insurance:	-£25	= <b>£590</b>

*These are just examples of some outgoings you may have.*

In this example you are left with £590 for this week.

This is then taxed as income whether as personal earnings, or through your limited company. The £590 is not just safe in your pocket. It represents a taxable business income.

We mentioned that the pub company generally pays for everything else, but what if you want to do something to increase trade that the pub company won't pay for?

Well, it is important if you *do* decide to pay for something outside of 'your own business' that it makes you money still.

For example, if your share is 20% and you spend £200 of your own money on a band, you'll need an additional £1,200 in the till to break even.

**Try our Spending Value Calculator to check the numbers**

When you're self-employed and running an Operator Share Agreement business, you'll be employing staff. This isn't the same as *managing* staff, as an employer you have certain legal responsibilities to your employees.

- **Register with HMRC**

Register as an employer and apply for your PAYE number (this is something we do on our client's behalf).

- **Employment contracts**

This is something that your employees are legally entitled to. Roslyns offer free 24/7 H.R. & legal advice to our clients and inc' contract templates.

- **TUPE regulations**

If you are taking over a business from another trader at the same premises, you may be subject to TUPE (Transfer of Undertakings (Protection of Employment)) regulations.

- **Workplace pensions**

As an employer, you are also required to provide your employees with access to a workplace pension scheme.  
This is something we do for our clients.

- **Health and safety**

You need to consider the safety of your employees.  
From creating a health and safety policy to securing adequate insurance. H&S support is also available, free of charge, from our H.R. & legal team.

- **Tipping policy**

Ahead of time you'll want to ensure you have a clear policy on tipping. This is good practice but also a legal requirement.

[Read our guide on being an employer](#)

[Use our rota planner to cost a dummy staff rota](#)



No matter what your [trading entity](#) is, you'll be paying tax both on your income, and as an employer. There are a range of taxes that can be confusing or overwhelming.

Roslyns looks after all of this for our clients though.

Below are some examples.

- **V.A.T. (Value Added Tax)**

If you are VAT registered, you will charge the pub company for your share amount, plus 20% V.A.T.

This 20% V.A.T. must be put to one side as it will be paid to HMRC on a quarterly basis.

The V.A.T. money is not yours; you are simply collecting that on behalf of HMRC.

- **Employer tax**

Employees are required to pay tax on their income and to make National Insurance (N.I.) contributions. As their employer you are obliged to contribute too.

Each month you pay National Insurance contributions (NICs) and Pay As You Earn (PAYE) tax to HM Revenue and Customs (HMRC) for their employees.

- **Corporation Tax (limited companies only)**

Corporation tax is a tax payable on a limited company's profits.

This is usually around 19% of any profits at the end of your financial year. Whilst this is only for limited companies, do not think that this means a limited company pays more tax than a sole trader or partnership. Those entities are taxed on profits too.

- **Self-Assessment**

No matter your trading entity you will be required to submit an annual self-assessment. When you were employed, you paid tax on your income via your employer and got what was left. As you are self-employed, you essentially submit details of your income and tell HMRC how much you owe.

This means putting some of your income away to one side.

It is extremely important to do this as if you are not accustomed to paying tax this way, and spend all of your income, you will get a big shock when your tax bills come along for a full year. You should remember that if you take out more money from your business than you should, the tax implications could be high.

- **Bank Accounts**

Not a topic directly connected to tax, but a good time to mention it.

You should get a business bank account, and a second account for your tax savings.

This way you do not spend money that will be demanded by HMRC a long time after you first received it.

**See our guide on the taxes your business will pay**



Many people use an Operator Share Agreement to get started with the process of running their own pub.

It can be a low-cost entry option and whilst you don't have all the freedoms of a freehold or lease/tenancy, you will get to make a lot of your own decisions and start learning how to run your own business.

If you have not been self-employed before, it is only natural you will need support.

**There are some things that are crucial to remember when preparing to take a pub under this type of agreement, no matter who the pub owning company is.**

- **Know the deal**

Ensure you are clear on what is being offered, what % share, and any bonuses available, and how those bonuses are calculated.

- **Plan ahead**

Even if the pub company doesn't require you to make a [business plan](#), you should make one anyway. It is vital that your plans will result in profits and income for you.

- **Staffing**

In an Operator Share Agreement, your main outgoing is staff costs.

Using our [rota costing tool](#), you can get a good idea of how much your planned staffing levels would cost, and what that would leave for other outgoings.

- **Organising your money**

You will have taxes to pay and money to pay them must be put to one side and not spent. Having at least one bank account (preferably a second for saving tax) is important to arrange from the earliest stage. You must be keeping your own money separate from the business's money.

- **Get support and advice**

You need someone in your corner who can guide you when you need them.

Well meaning friends and relatives are great, but a professional such as your Roslyns Business Development Manager will prove invaluable.

# Here to help

Being self-employed for the first time can be daunting. Roslyns offer a simple support package that gives you all you need to run your business, accounts, tax, payroll, and the support and guidance of our team including your Roslyns Business Development Manager.



## An all-inclusive service at a low cost to you:

- ✓ Setting up all of your tax and self-employment enrolments
- ✓ Quarterly Accounts
- ✓ Annual Accounts
- ✓ Quarterly VAT returns
- ✓ Self-assessment for one director
- ✓ Support and advice from your Roslyns business development manager
- ✓ Payroll and pension services (up to 35 payslips a month included!)
- ✓ Limited company accounts, corporation tax and confirmation statements



All this for just £40+VAT per week.

Additional services available:

Setting up your limited company : £80+VAT

Operator business plan : £150+VAT

Get in touch today and Roslyns can help you set up your own business with ease.



# Further support ...

As specialists in business services to the hospitality sector, Roslyns can help every step of the way. Just click or tap your way to knowledge!

**What taxes will my hospitality business pay?**

**How can I pay less tax?**

**What about my own income and taxes?**

**What do I need to do when employing staff?**

**Is stocktaking important in a hospitality business?**

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**CONTACT US**

## Links to the official government advice

[Setting up as a sole trader](#)

[Setting up a limited company](#)

[Business taxes](#)

[Personal Taxes](#)

[Employer taxes](#)

**Please note:** These guides are based on the tax year during which they were written and are intended to outline the basic aspects of the topics addressed.

Please take advice based on your specific situation and business.

Contact us on [support@roslyns.co.uk](mailto:support@roslyns.co.uk)