

How do I pay less tax?

Every business pays taxes in many different ways. In this guide we take a look at the oldest tax question ... how do I pay less?

Spoiler alert: There are no tricks as such, just simple businesses practices that when followed will result in lower tax bills.



The Hospitality Business specialists

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Ever since there have been taxes, this is the first question any sane person would ask. How to pay less. The easiest way to pay less tax is to make less money. Aside from that it is a bit more complex. This guide takes a look at the sensible precautions a hospitality business can take to make sure they're not paying more than they need to.

VAT

The thing to remember about VAT is that it is essentially quite simple. You pay 20% of your income minus any VAT you've already paid on purchases.

So, how to pay less VAT? don't miss out accounting for any VAT invoices.

Whenever you buy something, you want a VAT receipt/invoice. Remember that each purchase VAT amount equates to money off your VAT bill. If your accountant doesn't see the bill, they can't claim the VAT.

ONLINE: Don't forget if you buy things online you still want a VAT receipt.

For some sites such as amazon, you may need to request this or set up a business account for your purchasing. Don't forget that when you buy things online, you will often only get an email as a receipt/invoice. You will need to make sure your accountant gets this too.

FLAT RATE VAT: Flat rate is a way of paying a set percentage (lower than standard rate) of VAT, *but* nothing is taken off that bill from purchases. This doesn't work for most hospitality businesses who buy a lot of food and drink to sell. However, if you are a self employed pub manager for example, you employ staff but you actually buy very little, this could be right for you.

Reduce tax on your profits

Whether you are a sole trader/partnership or a limited company one way or another you will be paying tax on your profits. It is important then to not show profits higher than they actually are.

If you are spending money, it needs to be accounted for properly in your accounts. If it isn't then your accounts will show you are spending less than you actually are, and therefore showing higher profits than you are achieving, resulting in a higher tax bill than is really fair.

You must provide your accountant with evidence of all legitimate business expenses.

If you're unsure if something is an actual business expense, ask. For example:

A pub leaseholder, living above the pub can put all expenses for their dog (security) and cat (pest control) through their accounts.

A restaurant owner eats at a newly opened competitor's restaurant to see what their menu is like, the service levels etc. That bill is a business expense.

Remember: It is not always going to be clear to your accountant that a purchase is for business. So it is important you explain. For example, is the Vampire costume you bought for personal use or for the pub's Halloween party?

Remember: For your accountant to claim VAT back, they must have a VAT receipt. Without this, you can reclaim nothing on that purchase.

Remember: Every penny you spend should be accompanied with evidence of spending. If you spend business money on a business expense and can't prove where it has gone. The 'tax-man' will quite fairly assume that you have spent it on yourself, and tax accordingly.

Bank Statements



Another vital piece of the information jigsaw are your bank statements. We have looked at the importance of invoices and paperwork, but we are all human and things can be missed.

Our accounts teams use bank statements to check that our clients have sent a paper trail for each amount paid out from their business bank accounts. We can then draw their attention to outgoings they may have missed giving us information about.

If you are a director with no other income then you can put yourself onto the company payroll. This will then increase the company spend on wages, and in doing so reduce the overall profit on which you are taxed on. (See also our guide “What about my own income and taxes?”



You can purchase assets on the approach to the year end but only if you need them and not just to reduce tax. Annual investment allowance would be applied, reducing the overall tax bill.

As you see, there are little hints and tips, but really it depends on each business’s own situation.

Roslyns work with our clients throughout their financial year, monitoring management accounts and can advise as situations change.

Further support ...

As specialists in business services to the hospitality sector, Roslyns can help every step of the way. Just click or prod 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?

I've another question about hospitality business?

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 2020/21 tax year 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