ZAZEN TAX

The Hospitality Owner's UK Tax Handbook

VAT at the counter, payroll on the rota, tips in the tronc and corporation tax at the year end, through one worked venue.

Eight chapters, one restaurant with rooms, and every figure checkable on the free tools.

zazentax.com

Contents

One venue runs through every chapter: The Lantern House Ltd, an 80-cover restaurant with six letting rooms, 620 covers a week at £38 a head. Every tool on zazentax.com uses the same venue, so the chapters and the calculators agree with each other.

1 One venue, one year

Hospitality money has a shape: thin margins on high volume, other people's money everywhere on the balance sheet, and a calendar that pays unevenly for the same work.

The Lantern House takes £23,560 a week through the restaurant and £2,881 through the rooms. After VAT, food and drink costs, a £6,300 rota and £4,850 of fixed costs, the week clears £2,407. That number is the whole book in miniature: every chapter is about a force that moves it, and every force has a tool that measures it.

> **THE RULE THE WHOLE BOOK RUNS ON**
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> Menu prices include VAT and margins are measured without it. Keep those two facts apart and most hospitality accounting follows; mix them up and every percentage on the menu is quietly wrong.

2 VAT at the counter

Registration is compulsory over £90,000 on a ROLLING twelve months, which most venues pass in their first year. After that, the till decides how much of every price is yours.

The rates turn on three questions. Eaten in: standard, whatever it is. Taken away: hot is standard, cold is zero unless it is alcohol or on the always-standard list, crisps, confectionery, soft drinks, bottled water, ice cream. Hot is a legal test, not a thermometer: the fresh sausage roll cooling in the window is cold in law.

The money is not small. A £4.50 item carries £0.75 of VAT when standard rated: mis-code it at 100 sales a week and £3,900 a year is wrong, in whichever direction you erred. Programme the till by item AND channel, and let the VAT on Food and Drink Checker settle the arguments.

3 Payroll: the floor is not the cost

From 1 April 2026 the wage floors are £12.71 at 21 and over, £10.85 at 18 to 20, £8.00 under 18 and for apprentices. Paying the floor is the law; budgeting the floor as the cost is the error.

The £12.71 hour, loaded	Amount
Headline rate	£12.71
Holiday accrual at 12.07 per cent	£1.53
Employer National Insurance	£1.78
Minimum pension	£0.34
What the hour costs	**£16.36**

A 29 per cent uplift on every hour, before a single slow Tuesday. The Rota and Labour Cost Planner prices next week at these loaded rates against forecast sales, because the only rota you can change is the one that has not happened. Keep the records six years: minimum wage inspections visit hospitality first.

4 Tips and the tronc

Since 1 October 2024, all tips reach the team by the end of the month after the month received, under a written policy, with records. The Act changed the distribution; it did not change the tax.

Tips are always taxable. But tips distributed by a genuinely independent tronc escape BOTH employer and employee National Insurance, and on the Lantern House's £1,880 a week that is £22,485 a year: £14,664 the business does not pay, £7,821 the team keeps. Tips, Tronc and the 2024 Rules works the whole subject; the Tronc Records Workbook keeps the trail.

5 The margins that pay for everything

Food at 68 per cent, drink at 72, measured ex VAT and earned from stock counts. A GP without a count is a guess wearing a percentage.

The pricing chain runs backwards from the target: a 70 per cent GP on a £3.20 plate is £10.67 ex VAT, £12.80 on the menu. Skip the VAT step and the same menu quietly earns 64. Portion drift, supplier rises and wastage eat the rest: one GP point on the demo's food is £7,523 a year, which is why the Weekly GP Tracker measures it weekly, not annually.

6 The company and its tax

Most venues run as companies, and the company's tax year has its own furniture: corporation tax between 19 and 25 per cent, capital allowances on the kit, and two small reliefs hospitality forgets.

- Corporation tax: 19 per cent to £50,000 of profit, 25 per cent above £250,000, marginal relief tapering between. The demo venue's profits sit in the taper, where each extra pound is effectively taxed hardest.
- The annual investment allowance covers the kitchen fit-out in full for almost every venue: relief lands in the year of purchase, so December kit beats January kit.
- The £150 a head annual function exemption, VAT inclusive, all staff invited, and a cliff edge: a penny over and the whole amount is taxable.
- Trivial benefits under £50, not cash, not a reward for work: the birthday bottle, done properly.

7 The year: quiet months and the bank

Takings swing with the season while the rent and the rota do not, and the VAT quarter lands hardest in the quiet weeks it was earned before.

The 13-week cash flow is the instrument: takings scaled by a seasonality index, payroll monthly, the VAT quarter in week six, the rent quarter in week one. On the demo quarter the low point is week one itself, the rent landing on the quietest index, and the same venue that clears its nut by £4,034 in the busiest week clears it by £509 in the quietest. Surviving Seasonality is the whole subject; the actuals row each Monday is the habit.

8 The file that keeps you safe

Hospitality is inspected: hygiene, licensing, minimum wage, VAT. The file that answers them is the same file that runs the business well.

— Daily cash-ups, signed, with variances investigated the same night.

— Weekly stock counts and the GP bridge, so the margin is earned, not asserted.

— The tronc records: received equals allocated, every month, requestable by the team.

— The till's channel split tied to each VAT return.

— Payroll records kept six years, with the loaded rates the budget actually used.

None of that is bureaucracy; it is Monday's five numbers wearing their formal clothes. The Weekly Close Checklist runs the rhythm, and the year end becomes an assembly job instead of an excavation.

Where to go next

Download the Hospitality Bookkeeping Template and the Weekly GP Tracker, then let the VAT on Food and Drink Checker and the Tronc and Tips Calculator settle the two arguments every venue has.

Every calculator and workbook mentioned in this book is free on zazentax.com, with no email form. They use the same figures, the same conventions and the same worked venue as the chapters here.
