

Hotel & Leisure Bulletin

Cowgill Holloway LLP is a leading independent chartered accountant and business advisor.

Recognising the importance of a sector focus, we operate through sector teams, providing industry-specific, reliable and bespoke solutions to the challenges facing many of today's businesses.

Each partner-led team is staffed by sector specialists who have in-depth experience and knowledge in their chosen field. This approach gives our clients a high quality service based on a sound understanding of the market.

We have produced this document as the first in a series of briefings aimed at the hotel and leisure sectors. In this issue we look at VAT refunds on hotel conference/function facilities.

Background

A common situation for many hotels and similar establishments is to provide conference facilities for events organised by third parties. Usually the hotel makes an inclusive charge depending on the requirements of individual delegates. The charge is determined according to the number of delegates requiring:

- Use of conference room only;
- Use of conference room plus meal(s) ("8 hour conference delegate rate");
- Use of conference room plus meals and overnight sleeping accommodation ("24 hour conference delegate rate")

The supply of a conference/function room on its own is exempt from VAT (unless an option to tax has been made). Where in addition to the use of the conference/function room, a meal is provided to delegates and an inclusive charge made (the 8 hour delegate rate), each element is treated as a separate supply with the supply of the conference room being VAT exempt (subject to the option to tax) and the catering element is taxable.



For many years, the view of HMRC was that the 24-hour delegate rate reflected a single supply for the use of hotel facilities and was therefore standard-rated. It now accepts that where a conference room is hired for a meeting and where meals and sleeping accommodation are provided under the 24-hour delegate rate the room hire element is VAT exempt (unless the option to tax applies) and the other supplies are taxable. Where a single price is paid for supplies with different VAT liabilities, a fair and reasonable apportionment should be adopted. There is no change to the treatment of 8-hour delegate charges.

Where hotels organise and run conferences or similar events themselves and charge for entry to delegates, the supplies are always taxable.

Making claims or adjustments

Hotels that have made an option to tax will be unaffected by the revised interpretation and should continue to account for VAT on their supplies. Where the option to tax does not apply, hotels should consider lodging a retrospective claim for overpaid VAT either by making an adjustment to the current VAT return or by submitting a voluntary disclosure to HMRC. Claims are subject to the current time limits. It is necessary to take into account input tax that has been claimed but which under the revised interpretation will not relate to taxable supplies. Businesses must also be able to demonstrate that output VAT was accounted for on the room hire element and be able to substantiate the amount claimed.

How can we help?

If you would like any further information regarding Cowgill Holloway or our work with the hotel and leisure industry, please contact one of the following members of the hotel and leisure advisory team:

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