

Restaurant Accountant

Special points of interest:

- Tronc
- Franchisee Fee

Tronc saves money both for employers and employees.

Tronc : Tips and service charges

Tronc is a special arrangement allowed by HMRC for catering trade to distribute tips received from customers to employees without deducting National Insurance Contributions.

We will look at it today from tax point of view.

HMRC has given its guidance in publication [E24](#).

Main takeaways from the guidance are as follows:

- 1- If tips are optional, no VAT is to be charged.
- 2- Income tax is to be deducted from tips in all circumstances.
- 3- NIC is not due on tips, if :
 - A – Customers pay tips direct to employees and the employer is not involved; or



Salary liable to tax can be different from salary liable for NICs,

- B – i) Customers pay voluntary service charges and / or tips to the employer; and
- ii) The employer passes some or all of the charges / tips to a tronc; and
- iii) The employer is not involved in deciding how much each tronc member receives from the tronc.

4- Employers must pay their staff at least National minimum wage in addition to tips.

5—Employers save monies as tips are excluded from Employer’s NIC calculations as well.

Conclusion:
Tronc system saves National Insurance Contributions of both employer and employee.

Is franchise fee tax deductible?

A very clear answer is given in HMRC Agent tool kit – [Capital Vs Revenue](#): Page 15

Usually franchisee fee is treated as a capital expenditure under UK Tax laws.

Deduction from business profits depends on the legal structure of the business.

Sole Trader/Partnership

- No deduction in computation of trading profits.
- Deduction available under Capital Gains Tax on sale.

Companies

- Special Corporate intangible assets regime applicable.

- Deduction available as per accounting treatment.
- Amortization over the lifetime of the franchise agreement is normally allowable.

Conclusion:
When taking a franchise always take it under a limited company.

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Local and helpful

Nottinghill Accountants is a firm of accountants based in Soho, London.

It was established in 2015 and now works for the top London restaurants in the West End.

We help with complete accounting and employee HR compliance.



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Amit qualified as an accountant in India in 2004 and in the UK in 2011. He has worked in various multinational organizations like Larsen & Toubro and HSBC in the past before starting Nottinghill Accountants in 2015.

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