

CHAVEREYS

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The happiest day of their lives. But maybe not mine!

It is well known that almost all cases of Furnished Holiday Letting that have reached the tax tribunals have failed to succeed with a claim to Inheritance Tax Business Property Relief, the ruling being that the property was held wholly or mainly as an investment. Now the First-Tier Tribunal has turned its attention to a wedding venue.

Tufton Warren Farm, in Hampshire, had three activities, namely farming, commercial letting and a wedding venue business operating from an historic barn. The status of the wedding venue business was critical in determining whether or not the business as a whole qualified for Business Property Relief.



In 2004, the owner of the business, Helen Butler, entered into an arrangement with Country House Wedding Venues (CHWV) whereby CHWV would provide administrative and marketing services and would receive a commission from the caterer for each wedding introduced.



Stock image

Clock Barn, the venue, was a bare empty barn and everything required for a wedding had to be hired by the customer with Mrs Butler providing advice about the wedding day.

Between 2005 and 2008 extensive renovations were carried out to the buildings, including Clock Barn, along with appropriate landscaping. A commercial kitchen, preparation room and toilets were installed in Clock Barn, although the kitchen was not fully equipped.

The 'Chalk Wall Office' was converted into a honeymoon suite in 2014 and the farmhouse into a 9 bedroom 'hotel' for wedding guests in 2017.

By 2015, the year of Mrs Butler's death, the number of weddings had grown to 95 in the year.

From 2005 to 2012, Mrs Butler undertook viewings with prospective couples and helped plan the wedding day. Staff would prepare the venue and clear up at the end of the day.

From 2009, customers were required to use a caterer designated by Mrs Butler.

In 2012, an Events Manager was employed followed, in 2013, by a Sales Manager and, in 2014, by a Sales Assistant.

In 2013, the original caterer was replaced by Galloping Gourmet (GG), a subsidiary of CHWV.

In 2014, GG was granted a ten-year lease of the 'Green Barn' which it fitted out as a commercial kitchen as well as the smaller kitchen in Clock Barn.

At the end of 2014, the Events Manager left and her role was taken on by Mrs Butler's daughter.

Detailed checklists were introduced by Mrs Butler to ensure the wedding day ran smoothly and a brochure included a recommended list of suppliers, such as florists, photographers, musicians etc. Open days were held at which up to 200 prospective customers could view the venue which was set up as though a real wedding was going to take place. This included flowers, samples of food and drink and musical entertainment.

With GG in situ, food tastings were arranged and booked couples would be invited for a three or four course meal.

Included in the hire of Clock Barn was the hire of furniture, dance floor, bunting, candle holders and a background music system.

On the day of the wedding, staff would ensure everything necessary was set up with the exception of table laying which was the responsibility of the caterers and other suppliers. At the end of the day, staff would guide guests to their transport and marshal traffic off the site.

As the health of Mrs Butler deteriorated, GG took over many of the functions previously carried out by the wedding team including providing a venue manager on the day of the event. Whereas Mrs Butler was the designated 'responsible person' under the terms of the wedding licence, this responsibility was also assumed by GG individuals. Further, a GG individual would hold a 'personal licence' thereby allowing the sale and consumption of alcohol.

Customers were required to contract directly with GG for the provision of catering services. GG would provide all waiting staff, bar staff, chefs and kitchen staff.

The tribunal judge compared the example of a community hall, which may have a kitchen, tables and chairs and wedding and events licences, with a fully serviced conference venue which could provide a complete wedding package.

The facility fee for the use of Clock Barn was the only fee paid direct to the family business. Customers contracted separately with the caterers and the responsibility of licence holder was assumed by the caterers. The fully equipped kitchen was provided and installed by the caterer.

Mrs Butler, her family and her staff provided a great many services most of which would not fall to be part of a business of holding investments but the question facing the tribunal judge was whether, looking at the business as a whole, it fell on the community hall side of the spectrum or was akin to a fully-serviced conference venue.

The conclusion reached was that the level of activities conducted by the family and staff were not exceptional in nature and were insufficient to suggest the venue business was not that of holding investments. Interestingly, the tribunal judge stated that the absence of the appointment of GG would not have changed this view.

As with the cases concerning Furnished Holiday Lettings, for Business Property Relief to apply, a considerable degree of service must be provided and the venue owner should be in complete control of events including catering, even if the actual catering facility is sub-contracted to a specialist third party.

Allowing venue users to contract direct with third parties is likely to deny Business Property Relief if this case is to be relied upon. If the venue owner is to seek relief, the third parties involved in the wedding should be either employed by or contracted to the owner and the contract/invoicing between the owner and the customer should reflect this as it may be some years before the evidence needs to be presented to HM Revenue & Customs.