



FACT SHEET

HOSPITALITY MEETS SECURITY: PREPARING FOR IMMINENT HMRC REFORM

Produced by Westminster Business Council with Support from Night Time Industries Association and Carbonite Protect



EXECUTIVE SUMMARY

THE UK'S PRIVATE SECURITY SECTOR IS UNDERGOING A SEISMIC TRANSFORMATION. DRIVEN BY HMRC ENFORCEMENT, GOVERNMENT-BACKED LEGISLATION, AND DATA-DRIVEN CROSS-AGENCY COLLABORATION, NEW STANDARDS ARE BEING IMPOSED ON HOW SECURITY OPERATIVES ARE EMPLOYED, PAID, AND HELD ACCOUNTABLE.

This shift, from widely tolerated self-employment and off-the-books practices to mandatory PAYE models, represents one of the largest regulatory overhauls in decades.

For businesses relying on contracted security, especially within hospitality and nightlife, the implications are profound. Failure to act could mean not only reputational damage but direct legal liability under the Agencies Act.

This paper summarises the key changes, the legislative timeline, and the urgent actions businesses must take to stay compliant, competitive and accountable.

WHY CHANGE?

HMRC HAS CALCULATED THERE IS A VAST DISPARITY IN THE AMOUNT OF TAX REVENUE BEING COLLECTED FROM THE SECURITY INDUSTRY, DEPENDANT ON THE COMPANY STRUCTURE OF EACH FIRM.

- Only 780 firms are currently part of the SIA's voluntary Approved Contractor Scheme.
- 12,500+ non-accredited firms operate in ways that risk worker exploitation, benefit fraud, and undercut compliant businesses.
- The Treasury, Home Office, SIA, DWP and Police Chiefs' Council are now aligned in a push for tax parity and lawful employment across the sector.



WHAT CHANGE?

AS OF 1ST AUGUST 2025

SECURITY FIRMS MUST:

- Have each of their security operatives onboarded as PAYE employees.

HOSPITALITY BUSINESSES MUST:

- Be able to demonstrate that they are using legally compliant security firms.
- Advice: Do your due diligence. Keep written records of your checks with your security contractor. Request pay slips from security contractors
- Red Flags with Security Contractors: Unrealistically low contract pricing / Use of offshore payroll schemes / Lack of documentation or pay slips

RISKS OF NON-COMPLIANCE

- Financial penalties and audits for businesses using non-compliant suppliers.
- Public exposure via Low Pay Commission "name and shame" campaigns.
- Insurance invalidation for firms lacking proper employee liability cover.
- Criminal exposure via organised labour fraud investigations.

TIMELINE TO ENFORCEMENT

1 April 2025: HMRC began sending warning letters.

1 August 2025: Grace period ends. Enforcement begins.

September 2025 onwards: Audits and public action expected.

ABOUT THE WBC HOSPITALITY NETWORK

THE CITY OF WESTMINSTER IS HOME TO MORE THAN 8,000 HOSPITALITY BUSINESSES. THESE COMPANIES ARE A VITAL PART OF THE LOCAL AND NATIONAL ECONOMY AND THE REASON THAT SO MANY OF US LOVE TO COME INTO CENTRAL LONDON.

The hospitality industry is a substantial contributor to the UK economy. In 2023, the sector's economic output was valued at £62.5 billion, accounting for about 2.8% of the UK's total economic output. London alone contributes 22% of this output, underscoring the city's, and particularly Westminster's, central role in the industry.

However, the sector faces significant challenges. Recent tax changes, including increases in employer National Insurance contributions and the national minimum wage, are expected to add financial pressure on hospitality businesses. A survey indicated that over 70% of UK hospitality businesses anticipate reducing staff levels due to these rising costs.

More than ever, a Westminster focused hospitality network is needed to keep our community of business owners connected and supported.

This network is designed to bring together hospitality professionals, to share challenges and seek solutions.

For more information and to join, please visit:
<https://westminsterbc.org.uk/hospitality-network/>

THANKS TO OUR SUPPORTERS FOR MAKING THIS EVENT AND FACT SHEET POSSIBLE:



<https://ntia.co.uk/>



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WESTMINSTER
BUSINESS COUNCIL

WBC is a membership organisation that connects SMEs, corporates, local authorities, and communities to build a resilient, socially impactful economy. We run respected virtual and in-person networking events to help attendees grow their networks and client bases, and make highly personalised, facilitated connections.

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