

Staff meals attract PAYE

In some circumstances employers provide employees with non-monetary benefits as a way to incentivise and increase employees' moral in a workplace. Usually, non-monetary benefits extended by some corporates include free outsourced meals, canteen meals, subsidized meals or lunches. It is however key to note that such benefits are deemed as non-monetary income paid to the employees and should be subjected to tax when computing PAYE for the respective employees.

As alluded to above, free meals or subsidized meals are technically liable to payroll tax i.e., PAYE in the hands of the employees. This is based on the fact that the Income Tax Act regards such benefit as part of an employee's remuneration. Accordingly, the cost of the meal or refreshment provided to the employee gives rise to the taxable benefit liable to PAYE. The same principle applies in instances where employees are provided with subsidised meals. The taxable benefit becomes the difference between the prevailing market value of the meal against the reduced price of the meal. However, in some instances an employer is required to provide employees with meals not as a benefit but due to work circumstances or conditions. This may be due to some law or during extended working hours i.e., overtime. In such situations, the free meals provided by the employer would still form part of a taxable benefit as the employees derive a benefit of monetary value. However, meal and travel allowances paid to employees outside their workstations are free from tax.

Employers are encouraged to have staff benefits policies in place to avoid queries from BURS. Such policies would clarify and provide guidance on how meals provided to employees would be treated for tax purposes. If you need to consult regarding this or other tax matters, please contact us on the numbers provided in this article.

This article is of a general nature and is not meant to address particular matters of any person. Please contact us on the details in this article for tax consulting or to join our free Tax WhatsApp group.