

FREE EMPLOYER PROVIDED FOOD TAXABLE

Offering employees free meals is one of the motivational practices usually adopted by various companies. Some companies can testify that this seemingly simple technic has proven benefits in the long run which include, among others, improved morale and reduced down time. However, in as much as such practices may have favourable results to the employer, free meals inadvertently result in PAYE implications in the hands of employees.

The Income Tax Act, states that employment income of any person shall include 'the value of any benefit or advantage granted to an employee in respect of his or her employment.' Accordingly, any free meals, refreshments or food vouchers provided by an employer to an employee technically give rise to a taxable 'benefit or advantage.' This implies that employees who enjoy free canteen meals or free drinks are liable to tax on that free meal. The cost of the meal, beverage or voucher is consequently the value of the benefit. The taxable benefit extends to instances where employers provide food at subsidised prices. Accordingly, the taxable benefit is the value of the difference between the subsidised price and market price.

However, a taxable benefit will cease to exist where free meals are provided by the employer during extended working hours i.e., outside the normal contractual working hours e.g., overtime or night shift. In such instances, the motive for providing free meals is driven by a business necessity rather than a voluntary motive. Further, the employee will be deprived the benefit of enjoying a meal in the comfort of his or her residence. Accordingly, there won't be any 'benefit or advantage' that would have accrued to the employee. The same principle applies in cases where free food is provided when the employee is entertaining clients or customers on behalf of the employer.

Effectively, it is vital to note that a taxable benefit is predominately triggered when the employer provides free meals as a voluntary exercise. In cases where the employer must provide meals, say during overtime, it is advisable to have a company policy that would address such issues to avoid unnecessary interrogations by BURS.