

EMPLOYER-PROVIDED MEALS TRIGGER PAYE

Offering employees free or subsidised 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 staff morale and reduced employee 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. In other words, the food benefit enjoyed by the employees must be ascertained and then added to salaries in determining PAYE. The exceptions to this is when employees are provided meals on extended working hours or when they are on business trips, whether within or outside the country. In this article, words importing the masculine shall be deemed to include the feminine.

Benefits

The Income Tax Act states that, 'the 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 or subsidised 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 the then prevailing market price.

No tax

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 or subsidised 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 from BURS.

Conclusion

To sum it up, any meal provided for the private consumption of an employee is subject to tax, save where such consumption is due to the fact that the employee will be on a business trip. Further, it may happen that employers require their employees to stay at work after working hours and meals provided in such instances are not taxable.

Well folks, we hope that was insightful. As us the two Yours Truly say goodbye, remember to pay to Caesar what belongs to him. If you want to consult, join our free Tax WhatsApp group

or to know about our 9 Tax e-books, send us a text on +267 7181 5836. You can read more tax articles on our website, www.aupracontax.co.bw under the 'Tax articles' tab.