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Expenses and benefits: meals for employees and directors

1. Overview

As an employer providing meals for your employees, you have certain tax, National Insurance and reporting obligations.

What's included

What you have to report and pay depends on:

- the value of the meals
- if they're in a workplace canteen open to all staff
- if they take place on or off your premises
- if they're paid for through employee 'accounts' or vouchers

2. What's exempt

You don't have to report anything to HM Revenue and Customs (HMRC) or pay tax and National Insurance if you offer all your employees:

- free or subsidised meals of a reasonable value at a workplace canteen
- vouchers that cover the cost of buying these meals

If you offer these meals or vouchers under salary sacrifice (<https://www.gov.uk/salary-sacrifice-and-the-effects-on-pay>) or flexible remuneration arrangements (<http://www.hmrc.gov.uk/manuals/eimanual/eim21676.htm>) (also known as 'flexible benefit plans'), these won't be exempt.

3. What to report and pay

If the meals or vouchers you provide aren't exempt (<https://www.gov.uk/expenses-benefits-meals-employees-directors/whats-exempt>), you may have to report them to HM Revenue and Customs (HMRC) and deduct and pay tax and National Insurance on the costs.

Free or subsidised meals that aren't exempt

This includes meals that:

- aren't on a reasonable scale, eg elaborate meals with fine wines

- are provided off-site but not at a canteen, eg at a restaurant
- aren't available to all staff, eg meals for directors only
- provided under salary sacrifice (<https://www.gov.uk/guidance/salary-sacrifice-and-the-effects-on-payee>) or flexible remuneration arrangements (<http://www.hmrc.gov.uk/manuals/eimanual/eim21676.htm>) (also known as 'flexible benefit plans')

You must:

- report them on form P11D (<https://www.gov.uk/employer-reporting-expenses-benefits/reporting-and-paying>)
- pay Class 1A National Insurance on the cost to you

Vouchers for meals outside the workplace

You must:

- report them on form P11D (<https://www.gov.uk/employer-reporting-expenses-benefits/reporting-and-paying>)
- deduct and pay Class 1 National Insurance on the value of the vouchers through payroll

Other vouchers, cash allowances or employee accounts

If you provide any of the following, this counts as earnings:

- vouchers that can be exchanged for either food or cash
- cash allowances for meals
- top-up payments to an employee's account for workplace food and drink using a card or PIN system

For these costs, you must:

- add the amount to the employee's other earnings
- deduct and pay **PAYE** tax and Class 1 National Insurance through payroll

Salary sacrifice arrangements

If the cost of the meals is less than the amount of salary given up, report the salary amount instead.

These rules don't apply to arrangements made before 6 April 2017 - check when the rules will change (<https://www.gov.uk/guidance/salary-sacrifice-and-the-effects-on-payee>).

4. Technical guidance

The following guides contain more detailed information:

- subsidised meals including canteen meals and working lunches (<http://www.hmrc.gov.uk/manuals/eimanual/eim21670.htm>)
- meal allowances (<http://www.hmrc.gov.uk/manuals/nimmanual/nim05685.htm>)
- cash allowances for meals (<http://www.hmrc.gov.uk/manuals/eimanual/eim01530.htm>)

- non-cash vouchers: meals (<http://www.hmrc.gov.uk/manuals/nimmanual/NIM02437.htm>)
- canteen arrangements: when do they count as earnings?
(<http://www.hmrc.gov.uk/manuals/eimmanual/eim21675.htm>)
- canteen arrangements: no exemption from 6 April 2011 in cases of salary sacrifice or flexible remuneration (<http://www.hmrc.gov.uk/manuals/eimmanual/eim21676.htm>)