HMRC - VATSC23000 - Supplies To Employees - Benefits In Kind

An employer often provides benefits in kind (“perks”) to employees. Before 15 May 1992, goods provided without monetary charge under the contract of employment were considered to be supplied for non monetary consideration (the employee’s services) with VAT being due on the open market value. Where an employer was not obliged under the contract of employment to provide these goods, the normal business gift rules applied.

Since 15 May 1992, where goods are given as benefits in kind, the employee’s services are not seen as consideration for the goods, and unless there is any other consideration (for example from a third party) the normal business gift rules apply.

If an employer, for example a publican, provides his employees with food or drink in the course of catering or accommodation in a hotel, inn etc, there is a supply but the value of the supply is nil, in accordance with the VAT Act 1994, Schedule 6, paragraph 10, unless there is monetary consideration. The free supply of fuel to employees for private motoring is covered in Notice 700/64 Motoring expenses.

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