

Canteen services

This document should be read in conjunction with section 25 and paragraph 3 of the Second Schedule of the Value-Added Tax Consolidation Act, 2010 ('VATCA') and Regulation 8 of the Value-Added Tax Consolidation Act, 2010 [SI 639 of 2010]

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Introduction

This guidance sets out the VAT treatment of staff canteen services.

A summary table on the appropriate VAT rates for the supply of food and drink in canteens can be found in the Tax and Duty Manual ["VAT on Food and Drink"](#).

1 Staff Canteens

There are many different arrangements in place in relation to staff canteens. Some canteens are operated on a profit-making basis, some canteen services are outsourced and other canteens are operated without any charge to staff.

The VAT treatment of certain staff canteen service models is set out below.

1.1 Canteens that are operated by the employer on a profit-making basis.

In this scenario, the employer operates the canteen on a profit-making basis and applies normal market prices to the canteen food.

The employer is accountable for VAT on the actual canteen receipts.¹

1.2 Canteens that are operated by the employer without any charge to staff

Where an employer operates a staff canteen and does not charge the employees for this service, it is deemed to be a supply of a service for consideration.²

¹ Case C-412/03 Hotel Scandic Gåsabäck AB v Riksskatteverket

² Regulation 8 of the Value-Added Tax Regulations, 2010

The employer is accountable for the VAT on the actual cost of supplying the service which includes:

- food
- drink
- equipment
- canteen staff wages
- canteen overheads.

Example 1

An employer provides a canteen to its staff. It provides the food, drink, cutlery, plates etc. and a lunch/tea room to consume the food.

The staff are not charged for this service.

The employer is accountable for the VAT on all the canteen costs which includes the food, equipment, canteen staff wages and canteen overheads.

1.3 Canteens that are operated by the employer below cost

Where an employer operates a staff canteen and charges below the cost of providing the service, the employer is accountable for VAT only on the actual canteen receipts.³

Example 2

A company provides canteen services to its staff. No outside canteen operator is used. The staff pay €1.00 per meal.

The company is accountable for VAT on the actual receipts i.e. the €1.00 it receives for each meal.

2 Staff Canteens – Agent or Principal

Employers often hire third party canteen operators to operate its staff canteen. To determine the correct VAT treatment, it is necessary to identify the exact role of the canteen operator. In this regard, it must be established whether they are acting as the principal or the agent.

The following two scenarios should be of assistance in deciding the VAT treatment of the canteen:

³ Case C-412/03 - Hotel Scandic Gåsabäck AB v Riksskatteverket

2.1 Staff Canteens that are operated by a canteen operator as principal

Where the canteen operator receives payment from the staff and payment from the employer, the canteen operator is accountable for VAT on the receipts from both the staff and the employer.

In addition, where the employer also provides some canteen facilities to the staff, the employer is accountable for VAT on any additional costs incurred in providing the canteen service; including the payment made to the canteen operator. Cost includes the food, equipment, canteen staff wages and canteen overheads.

Example 3

An employer has engaged a canteen operator to operate its staff canteen. The canteen operator charges the employees for the meals and receives a payment from the employer.

The employer also incurs some additional costs in providing the canteen service.

The canteen operator is accountable for the VAT on the payments from the staff and the employer at the appropriate rates.

The employer is also accountable for the VAT on the additional costs it incurred in providing the canteen service to its staff.

2.2 Canteens that are operated by a canteen operator as agent

Where the employer receives payment from the staff and makes a payment to the canteen operator as well as providing premises, equipment, etc, the employer is accountable for VAT on the actual canteen receipts.

Example 4

An employer has engaged a canteen operator to operate its staff canteen on an agency basis; the canteen operator is acting in the name of and on behalf of the employer.

The employees are charged for the meals and the canteen operator also receives a payment from the employer.

The employer is only accountable for the canteen receipts. The employer is not accountable for the VAT on additional costs incurred in providing the canteen service.

The canteen operator is liable for VAT on the payments received from the employer.

3 Canteen management services

While the supply of food and drink will attract the appropriate rates, the supply of canteen management services is always liable at the standard rate.

Example 5

A canteen operator operates a staff canteen as principal. The canteen operator charges the staff for the meals and charges the employer a canteen management fee.

The charges for the meals (food and drink) will attract the appropriate rates.

The canteen management fee is liable to the [standard rate](#).

4 Section 56 Authorisation (Zero rating of goods and services)

A supplier of services consisting of food and drink is not entitled to zero rate these supplies to a holder of a [section 56 Authorisation](#) (authorised person).⁴

5 Deductibility

Normally, an employer cannot deduct VAT incurred on food and drink it supplies to its staff.⁵

However, where an employer is liable to VAT in respect of staff canteen services [whether on cost or receipts], then the employer is entitled to deduct the VAT incurred on food and drink it supplies to its staff.

All inputs that form part of the cost of running the canteen are allowable (for example accountancy fees, light and heat) as per the [normal rules](#).

⁴ Section 56(1), VATCA 2010.

⁵ Section 60(2)(a)(i), VATCA 2010.