

PAY TAX ON THAT SIDE HUSTLE! By Jonathan Hore

I know that some of you are creative, hard-working and sworn go-getters. So, instead of just waiting for a salary from your employer, you also try some business ventures, whether small or big. In street language, this is what people refer to as side hustles. Running something of your own is becoming important, especially that COVID-19 has ravaged the world and local economy. It makes you immune to possible retrenchments or salary cuts.

Those of you who are brave have turned your side hustles into your full-time jobs and why not; you have always wanted to be your own boss anyway! So, I have good news and bad news. The good news is that your chances of making it big grow as your side hustle prospers. The bad news is that you probably owe the taxman unpaid taxes. And don't mistake me for a tax collector; I long left that profession. I am now a tax consultant and I am here to assist you as a taxpayer. Allow me to narrate below the tax obligations that may be attached to your side hustle. In this article, words importing the masculine shall be deemed to include the feminine.

INCOME TAX IS DUE

No matter what side hustle you do, it is considered as a business, whether you run it as an individual or through a company. From experience, the following are the most common side-hustles: forex trading, rental of immovable and movable property, consultancy, hairdos, hands-on jobs like plumbing or construction as well as selling of healthy products. However, if you rear not more than 300 cattle or 1800 goats/sheep for slaughter as an individual, that side hustle is tax-free. The same applies to dryland farming conducted by an individual on a farm not bigger than 100 hectares.

So, as you do that hustle, you may make profits or losses. Where you make profits, those profits are subject to income tax, either in your name or in your company's name. Profits basically refer to sales being more than your expenses. If you run the side hustle as an individual, you are only taxed if the profits plus your salary exceed P36 000 per annum. In other words, the salary and profits are aggregated in arriving at your taxable income. If the hustle is done through a company, the company pays income tax from the first thebe of profits generated. The P36 000 tax-free portion does not apply.

Whether you operate your hustle through a company or as an individual, you must file an income tax return once in a year. Companies may have to pay advance quarterly tax but individuals pay the tax within 30days of the issuance of an assessment by BURS. The reality of the matter is that most hustlers are not compliant with taxes and usually want to sort this when they need a tax clearance certificate.

KEEP ACCOUNTS

Income tax is easily determined if accounts are available as these dictate whether tax is due or not as well as the quantum. Accounts keep track of your daily sales, expenses, liabilities and assets. If you want this done properly, engage a qualified accountant. If you make a loss, no tax is payable. In instances where you are running the business as an individual and you realise a loss from the side hustle, you can't reduce your salary with the loss from the business. These two don't mix. But I will be honest with you and state that very few hustlers keep accounts. In fact, the ventures they engage in are viewed as survival endeavours and tax is not considered. That is the reason why you are reading this article so you may do the right thing of keeping a record of your sales and expenses.

WHAT ABOUT VAT?

If your business attains an annual turnover of P1m, you will be required to register for VAT, either as an individual or a corporate. Once registered for the tax, you must comply with VAT filing requirements. This may make your compliance matters a little bit complex and professional advice may be unavoidable.

DEDUCT TAX ON RENT

Any business which pays rentals of at least P3 000 per month or P36 000/annum is required to deduct 5% as a withholding tax from such rent and pay it to BURS. The tax is deducted on the amount paid for the use of land and or buildings such as offices, farms etc. The tax is deducted on the amount before VAT.

COMING CLEAN

If you realise through this article that you are not tax compliant, I suggest that you formalise your side hustle and make it a professional business by keeping accounts. The second step is for you to pay your taxes and that is what Yours Truly can help you with. Once you do the above, you can rest and know that you have graduated from hassling and moved towards running an enterprise.

Well folks, I hope that was insightful. As Yours Truly says goodbye, remember to pay to Caesar what belongs to him.