

TAX LAWS FAVOUR BUSINESSOWNERS OVER EMPLOYEES: By Jonathan Hore

Allow me to share some insights into the structure of the tax laws, which internationally favour businesspersons than employees. Botswana is no exception to this trend. I know that may not sound so good but it is what it is, no matter which country you go to. They say facts are stubborn and I guess this is one of them. I will analyse in detail how tax systems favour entrepreneurs over employees. In this article, words importing the masculine shall be deemed to include the feminine.

Tax on employees

As is common knowledge, employees pay a tax called PAYE, which is deducted by employers at source. Employees are almost taxed on 100% of their remuneration as very few deductions can be made in arriving at the remuneration subject to tax. One of the most common deductions employees can take is pension contributions. The amount of the pension must however not exceed 20% of the employee's employment income. I must state that besides pension, most employees cannot have any other deductions allowed, besides the not so common donations to approved persons.

Now, one may ask whether fuel, insurance and repairs made to vehicles driven by an employee to go to work are tax deductible. The answer is a big 'no,' as that is considered a private expense to the employee. A second question will be whether food, clothing and other such expenses incurred by the employee at work can be used to reduce the taxable amount. The answer to that is a stubborn, 'no.' Man, I don't like giving anyone a 'no' as an answer but I can't lie to you buddy. The same applies on the cost of education that an employee voluntarily incurs to improve chances of performing better at work. Whilst I still have your attention, let me make you more uncomfortable by detailing what a businessperson is allowed to deduct in arriving at taxable income.

Enter the businessperson

A businessperson can claim repairs, maintenance and insurance of laptops, cellphones, tablets, CCTVs etc owned by the company. He is also allowed to claim repairs and insurance of a house he constructs using company funds, which he may after all be staying in. Further allowable tax deductions include the cost of gardening, security and salary for a maid or gardener. The entrepreneur's business can also deduct pension, life and other insurance paid on behalf of the businessperson, which cannot be deducted in the hands of an employee. Further, a businessperson can claim tax depreciation or capital allowances on almost all assets he uses for business.

In addition, the business can claim tuition and school-fees incurred for the business-owner, his spouse and or children. As if that's not enough, the business can pay and claim a tax deduction in respect of clothes and entertainment allowances paid to the entrepreneur. Whilst there may be PAYE implications, the fact remains that an employee can't get the same tax deductions.

Conclusion

As I come to a conclusion, I am sure someone feels angered by this article but this is how tax laws are structured worldwide, Botswana included. There may be tax consequences to the benefits and allowances that the businessowner enjoys but he can still duck the taxes by requiring that he wants his salary untouched, meaning that the company will bear his PAYE for him. Yes, you read that right, that's quite possible. Now, that sounds like rigging, doesn't it? I must stop here before you think of tearing this paper or smashing your phone. If this

article made you angry, maybe it's time for you to consider starting a business. If that's too much of a task, just shrug me off for today only by saying, 'Boo, Yours Truly!' Ok, I quit! See you next week and I promise to be well-behaved next time.

Well folks, I hope that was insightful. As Yours Truly says goodbye, remember to pay to Caesar what belongs to him. If you want to join our Tax whatsapp group or know more about our 8 Tax e-books, send me a text on the number below.