

No changes yet to PAYE/PIT rates: By Jonathan Hore

It is interesting to note that once a tax change intention is announced, some take the announcement as if it was law. Well, that is common because the changes to the laws are rather technical and need those who deal with them to shed more light about the changes, which is what I am doing today. The purpose of this article is to let you know that there are intentions to change the PAYE or Personal Income Tax (PIT) rates but that is not yet law. The former Minister of Finance & Economic Development, Hon Dr T Matsheka proposed to increase PAYE/PIT rates from the current P36 000 per annum to P48 000 through an Income Tax Amendment Bill 2021 which is understood to have since been debated and endorsed by the legislature. I will discuss this bill in more detail below. In this article, words importing the masculine shall be deemed to include the feminine.

PAYE & PIT brief

PAYE is a tax paid by employees on remuneration stemming from an employment arrangement. Personal Income Tax on the other hand is personal tax that is payable by individuals who, in most instances, are self-employed such as lawyers and accountants who run other businesses as sole traders. Having laid the background above, let me now get into the details of the new tax tables.

Change happens 1.07.21

The mentioned bill is set to become law as of 1 July 2021 and its key feature is to exempt individuals who earn P4 000 or less per month from tax. There had been calls by many tax practitioners to increase this threshold in previous years as it had been overtaken by inflation. For your information, that threshold had last been adjusted in 2011.

No tax on 1st P4 000

Whilst this new proposed law completely obliterates tax for persons earning not more than P 4 000 per month, it also reduces tax for those who earn above the said exempt threshold. As an example, a person who earns P12 000 per month currently pays P1 087.50 as tax per month and will pay P900 effective 1 July 2021, saving P 187.50. High-income earners will also pay less tax due to the said change. For instance, a person who earns P100 000 per month currently pays P 23 087.50 but will pay P 22 837.50, realising a drop in monthly tax of P 250. Whilst this may not be much, it will slightly cushion taxpayers from the price adjustments linked to other tax increases.

New PAYE/PIT rates

PAYE/PIT rates are best done in the form of a table but that is not so friendly to this type of article. That will however not stop Yours Truly from giving you the new changes. So, any income between P4 000 and P 7 000 per month will be taxed at 5% whilst that between P 7 001 and P10 000 will be taxed at 12.5%. Income between P10 001 and P13 000 per month will suffer tax at 18.75%, whilst 25% will apply on monthly income in excess of P13 000.

Law in waiting

I plead with you to note that the PAYE and PIT rates have not yet changed as the law is yet to be gazetted. Therefore, no-one must suggest that Yours Truly said that the new rates have already taken effect.

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 about our 9 Tax ebooks, send me a text on the cell number below.

