

NO MORE TAX ON RENT & COMMISSION BELOW P4 000: By Jonathan Hore

The Minister of Finance & Economic Development, Hon Dr T Matsheka issued an Income Tax Amendment Bill 2021 on 26 March 2021, which seeks to make various changes to the Income Tax Act. One of those changes is to increase the threshold for deduction of withholding tax (WHT) on rent and commission from the current P3 000 to P4 000 per month. The said bill is expected to become law effective 1 July 2021, if approved by Parliament. If you were not aware of these taxes, let Yours Truly give you a concise lesson on them today. Keep on reading. Throughout this article, words importing the masculine shall be deemed to include the feminine.

Tax on rent and commission

Effective 13 May 2011, the Income Tax Act was amended to require that any payer of rent for the use of land and or buildings for business must deduct a 5% withholding tax (WHT) from rent of at least P 3 000 per month. What that means is that businesses must deduct the said tax and pay it to BURS on a monthly basis. Failure to deduct results in the tenant being personally liable to the tax, over and above annual interest of around 19.56%. Further, any payers of commission of at least P3 000 per month are also required to deduct and pay the WHT to BURS, on a monthly basis.

Threshold now P 4 000

The above-mentioned bill seeks to increase the threshold used to deduct the said 2 WHTs from the current P 3 000 to P 4 000 per month. What that means is that businesses will no longer have to deduct the WHTs on amounts which are less than P 4 000 per month. However, should the rent or commission exceed P4 000 per month, the tax is deducted from the full rent or commission, without reducing the amount by the P 4 000. This is so as the P 4 000 is not an exemption threshold similar to the P 3 000 for PAYE but rather, it is a deduction threshold. This technically means that a rental payer who is billed P10 000 by their landlord must deduct P 500 as WHT on rent as the amount exceeds P 4 000 per month. In like manner, a payer of commission of P10 000 must deduct tax at 10%, which amounts to P 1 000.

Don't twist it

It often happens that whenever a proposed tax change is announced or proposed through the Government Gazette, some taxpayers take it that the change would have already been effected. This is not so as any change to the tax laws must be effectuated through a law and a bill is merely an expression of interest to amend the laws. The bill turns into a law when passed by Parliament and accented to by the President. So, as you read this article, know that what Yours Truly told you is an intention which will only be effective on 1 July 2021, if passed by the legislature.

In addition, it is critical to note that the law does not put tax collection burdens on individuals not in business as that is tantamount to inviting people to rob state funds. Individuals are, by nature, the most complicated and difficult to tax segment of taxpayers and no legislature will ever require that they deduct a WHT and remit it, as the default rates will be too high. Individuals are referred to as the Hard-To-Tax (HTTs). Oh man, that doesn't sound good to you as I know you pay your taxes without compulsion. But you know that other instance where you didn't pay tax, right? Yeah, I got you; Hard-To-Tax you are.

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 e-books, send me a text on the cell number below.