

Employer-borne mortgages trigger PAYE

Employment benefits help organisations to attract and retain specialised human capital and key personnel. However, the downside of such benefits is that they trigger PAYE in the hands of the employee resulting in a reduced disposable income. In this regard, allow us to briefly discuss why employees who enjoy the benefit of employer-borne mortgages need to worry about PAYE.

Firstly, allow us to state that it is of paramount importance to have a general appreciation on compliance issues surrounding employees' tax i.e., PAYE. Employers and employees need to understand that the tax laws generally regard any form of valuable benefit, whether monetary or non-monetary, that is enjoyed by any employee by virtue of being employed as generally subject to tax. Now, to put the above analogy into perspective, where an employer extends interest free mortgages to employees or where an employer pays for employees' mortgages outright, the respective employee is liable to tax on the amount equivalent to the interest value or mortgage paid, respectively. As alluded to above, tax is triggered by virtue of the employee having to enjoy the benefit of not paying interest or the mortgage itself. Accordingly, the tax laws regard such benefit as part of payment for employment services subject to PAYE where the aggregate of the said benefit and salary exceeds P48,000 in any tax year.

Therefore, employers and employees need to be aware that employees are not only liable to tax on monetary payments but on benefits as well. Other taxable benefits include school fees, private motoring, housing and holiday advantages. You can read more tax articles on our website, www.aupracontax.co.bw under the 'Tax Articles' tab.

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