

GOODS GIVEN TO EMPLOYEES TRIGGER PAYE

At times, corporates resort to give away obsolete or broken company goods to employees. Usually, such goods may be given to employees at no cost or at some immaterial price below the market value. It is therefore imperative that organisations or employers understand that such practices may do more harm than good to the employee as it attracts PAYE.

The most important aspect that employers should be conversant with is what is termed 'employment remuneration' and how it is regulated by the tax laws. As a preview, employment remuneration is wide and it embraces almost any payment or any other benefit that is enjoyed by an employee as a result of employment. A benefit arises by virtue of being under the employer's employ, whether it comes in the form of material goods or otherwise. Accordingly, employment remuneration encompasses goods freely given or sold to employees at a price lower than the prevailing market value. In essence, an employee is taxed on the benefit of obtaining a privilege or advantage that is not applicable to everyone else who is not an employee. For the purposes of determining PAYE, the market value of the goods given to the employee becomes the value of the benefit subject to PAYE. Where goods are sold at a price below their open market value, the difference between the price paid by the employee and the market value becomes the benefit for PAYE purposes. As an example, if an employee is given a car valued at P 200 000 and is only required to pay P30 00, the difference of P170 00 is added to his salary in determining PAYE due to BURS.

It is therefore crucial that employers have a policy in place that regulates the disposal of company goods to employees, so that they determine the value of the benefit (if any) that may arise and subject the benefit to PAYE.

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