

Gift vouchers trigger PAYE

Extending gifts to employees is generally regarded as a demonstration of appreciation and a reflection that the employer cares about the work done and efforts exerted by employees. Usually, the gifts may be awarded to employees as a year-end bonus, employee appreciation or simply to cushion employees against economic hardships. However, it is vital for both employers and employees to understand that such a generous gesture ultimately triggers tax in the hands of the employees i.e., PAYE.

Primarily, it is imperative to lay out and understand that the Income Tax laws generally bring to tax any form of sympathy, advantage, or benefit, which is extended to an employee by the employer, whose value can reliably be measured. Accordingly, employer-provided gifts are construed to be a mode of payment for the purposes of determining PAYE. In other words, the tax laws consider anything with a monetary value given to an employee as compensation for employment services. In this regard, gift vouchers extended to an employee in connection with his or her employment are considered as part of remuneration that is subject to PAYE. Such treatment is predominantly based on the provisions of the Income Tax Act which provides that employment income includes monetary, non-monetary payments and '*any other benefits.*' Consequently, the market value of the gift voucher technically becomes the cost to be included in an employee's taxable income and PAYE is then determined thereon.

Employers need to take cognisance of this fact and comply with the Income Tax laws by including the value of gifts vouchers in employees' taxable income. It should be noted that failure to correctly account for PAYE on employees' emoluments may trigger penalties and interest in the hands of the employer of up to a maximum of 200% plus interest of around 20% per annum.

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