

Long service awards subject to PAYE

Humans are social beings in constant need of compassion, sympathy, affection, and relationships. A great deal is invested in showing fellow humans our human nature more often in appreciating the good that has been done by others. There are different ways and means of expressing appreciation to others. Some offer tokens of appreciation like priceless gifts, money, vouchers or merely saying thank-you. In line with our social constructs, business endeavour to show their employees that they are noticed and appreciated in various ways either through special bonuses, long service award payments, or gratuity payments. Therefore, the purpose of today's article is to discuss the PAYE implications of long service payments made to employees by employers.

The Income Tax Act treats the payments made to an employee for long service awards or appreciation as part of his/her remuneration subject to taxation. Remuneration is defined as any amount accrued to an employee by way of wages, salary, leave pay, fee, commission, bonus, gratuity, or compensation. In Botswana, long service awards are usually paid in the form of thank-you payments payable after say 5 years or 10years of service.

If the long service award is paid in the form of cash, goods or other services with a monetary value, they are subject to PAYE based on the value of whatever is accorded to the employee. That may sound unfair but the reality is that it is remuneration for services rendered, i.e. the employer appreciates you for serving them for a long time, hence PAYE is deductible from the employee. However, where employees are appreciated through small gifts such as trophies or cards with no real monetary value, no PAYE arises from the award.

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