

Pastor appreciation gifts trigger PAYE

Church pastors and other religious officials who conduct duties as leaders of religious organisations are generally entitled to some form of compensation for their services. Accordingly, such compensation is not in any way different from remuneration for employment services which is assessable for Income Tax. Consequently, this entails that any benefits which accrue to the clergyman as a result of services to a religious organisation are assessable for tax purposes i.e., PAYE.

As a general rule, any person who is entangled in a commercial relationship with another person or organisation that resembles that of master and servant is construed to be an employment relationship for tax purposes. Therefore, any compensation, rewards or benefits that are enjoyed by such a servant i.e., employee, are regarded as payment for employment services. It is critical to note that PAYE is also triggered by rewards or benefits that accrue to an employee as a direct consequence of being an employee. In other words, where an employee derives a monetary gain or advantage by merely being affiliated to an organisation, such gain is taxable regardless of the fact that it was not paid by the employer. Putting the above analogy into perspective, pastors are construed to be employees of their religious organisations. Therefore, any monetary gain or advantage received by any pastor, whether paid by the congregates or the church, is regarded as a taxable benefit. In other words, benefits such as appreciation awards or gifts paid to pastors form part of their remuneration which is liable to tax if the aggregate (including salary) exceeds P48,000 per year.

It is therefore critical for religious organisations and employees of such organisations to regularise their tax affairs and seek professional advice for tax planning purposes. Tax planning allows taxpayers to structure their transactions in a tax efficient manner.

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