

School fees benefits trigger PAYE

Employment benefits are generally extended to allow employees to channel their focus and energy towards efficient execution of tasks. For instance, some employers may opt to pay the full or a portion of their employees' children school fees as a way to heighten staff morale and productivity. Conversely, the employee will need not to stress about his or her children's school fees. However, such benefit and comfort extended to the employee consequently triggers PAYE as it is a benefit. A benefit arises where an employer pays for the employee's school fees as well as where an educational institution offers the employee a reduced fee or no fee at all. Further, PAYE arises where the employee is refunded for private school fees which is not directly linked to the employer's business.

Accordingly, the Income Tax Act generally brings to tax payments and benefits that would have accrued to an employee as a direct consequence of employment. In other words, a payment to an employee or any enjoyment of any benefit at the expense of the employer is generally assessable for tax i.e., PAYE. It is therefore key to note that an employee may be taxed on either monetary or non-monetary payments. Consequently, the enjoyment of school fees paid by the employer fits squarely in the ambit of taxable remuneration. This emanates from the fact that the employee enjoys the privilege of not paying the full school fees for his or her child or any other person related to him. The cost of the benefit that is subject to PAYE is technically the amount of the school fees or the difference between what the employee pays and the market value of the fees. Employers must therefore ensure that they scrutinise their benefits arrangement in order to comply with tax laws.

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