

## **Lecturers & teachers suffer PAYE on fee discounts in Botswana**

Lecturers, teachers, tutors etc always have a benefit where they can get their children and spouses educated at universities, colleges and other educational institutions for free. This technically results in an educational benefit for PAYE purposes. However, both employers and employees must understand that such benefits trigger tax in the hands of the employees. In our article today, we will discuss how and why school fees benefits trigger PAYE in the hands of employees, even though no cash payments are made by such employers to their staff. In this article, words importing the masculine shall be deemed to include the feminine

### **School fees benefits**

Employment benefits are mainly granted to employees so that they can channel their focus and energy towards the efficient execution of tasks. In that regard, employers may opt to pay the entire or a portion of their employees' children's school fees as a way to heighten employee motivation and focus on work. In that way, the employees need not worry about paying school fees with their disposable income as that expense will be taken care of by the employer. In some instances, a school fees benefit accrues to an employee who is, say, a teacher or lecturer or a mere employee of a school or university. That school etc may allow the teacher's children or spouse to access free education or to pay discounted school fees which is not applicable to any other person. Let us now have a look at how such a benefit triggers PAYE and why that is so.

### **Enter PAYE**

The Income Tax Act states that the employment income of any person shall include 'the value of any benefit or advantage granted to an employee in respect of his or her employment.' In this case, it is undeniable that a benefit also accrues to employees who do not get to pay full school fees for their children or spouses as the cost is absorbed by the employer.

As alluded to above, the Income Tax Act generally brings to tax payments and benefits that would have accrued to an employee as a result of employment. In other words, a payment to an employee or any enjoyment of a benefit at the expense of the employer is generally subject to PAYE. It is also imperative to note that such payments and benefits are liable to tax as they are regarded as compensation for employment services. Consequently, the enjoyment of school fees paid by the employer fits squarely in the ambit of taxable remuneration. This is emanating from the fact that the employee enjoys the privilege of not paying the full school fees for his or her child at the expense of the employer. Accordingly, the cost of the benefit that is subject to PAYE is technically the amount of the school fees or the portion not paid by the employee.

This technically entails that all employees' children or spouses whose school fees are borne by the employer are liable to tax in the employees' hands. On the other hand, where an employer provides interest-free school fees loans to employees, the taxable benefit technically

becomes the interest portion that would have been charged had the employee obtained the loan from a bank or other financial institution. However, 2.4% Bank of Botswana Monetary Policy rate is currently being used as a proxy for the commercial interest rate.

### **Conclusion**

Well, folks, we hope that was insightful. As us the two Yours Truly say goodbye, remember to pay Caesar what belongs to him. If you want to consult, join our free Tax WhatsApp group or to know about our 9 Tax e-books, send a text to +267 7181 5836 or email us on [jhore@aupracontax.co.bw](mailto:jhore@aupracontax.co.bw). You can read more tax articles on our website, [www.aupracontax.co.bw](http://www.aupracontax.co.bw) under the 'Tax articles' tab.