

Employer-paid utility bills are taxed

Research consistently shows that employees who feel supported by their employers tend to be more satisfied with their jobs. To that end, some companies generally adopt this practice and bear the cost of utility bills on behalf of their employees to, among other reasons, improve work morale, alleviate employees' financial load or retain top talent. However, in as much as this practice may lead to satisfied employees, both employers and employees must understand that this triggers tax in the hands of employees which may affect their disposable income. Keep on reading and allow us to help you understand why employer-paid utilities are taxable. In this article, words importing the masculine should be deemed to include the feminine.

Enter utility bills

Generally, utility bills are essential monthly statements that detail the costs associated with maintaining basic household services such as electricity, water, gas, sewage, and trash collection. Ideally, these bills provide a breakdown of usage and corresponding charges for each service over a specified billing period, typically one month. As alluded to above, the prime aspect to consider is that the said bills encompass an employee's private expenses that are essential to keeping and maintaining a functioning home. Let us now examine the tax implications of having an employer pay for these bills.

Enter PAYE

Primarily, it is crucial for us to highlight that the tax laws consider any benefit that an employee enjoys as a direct consequence of being employed as taxable remuneration. To put in other words, any expenditure that is incurred by an employer for the private enjoyment of an employee or his/her family is considered remuneration that is taxable in the employee's hands. In verbatim, the Income Tax Act defines remuneration to include 'the value of any other benefit or advantage granted to an employee in respect of his or her employment.' Technically, this means that when an employer pays an employee's utility bills, the employee enjoys a benefit or advantage of not having to pay those bills themselves. Such benefit, per the quoted extract from the Income Tax Act, is taxable. In other words, the value of the amount paid by the employer should be added to the benefiting employees' salaries for PAYE purposes.

In this case, one might ask, what if the employer pays a certain portion of the bills? Well, in such a scenario, the value of the taxable benefit is limited to the portion paid by the employer on behalf of the employee. To illustrate, if an employer pays 80% of a water bill while the employee contributes 20%, the taxable benefit is capped at 80% that is covered by the employer. This means that the employee is only taxed on the employer's contribution, not the entire bill.

Conclusion

To put this matter to rest, employers and employees need to understand that if an employer pays utility bills on behalf of their employees, such payments create a benefit or advantage that is taxable in the benefiting employee's hands under the PAYE system. Where the employer does not pay 100% of these bills, the taxable amount is capped to the portion paid by the employer. It is also key to note that the responsibility to deduct the PAYE lies with the employer. Failure to comply may attract penalties and interest on late payment of tax imposed by BURS.

Well, folks, we hope that was insightful. As we 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 at jhore@aupracontax.co.bw. You can read more tax articles on our website, www.aupracontax.co.bw under the 'Tax articles' tab.