

EMPLOYERS CAN HELP YOU PAY TAX ON RENT: By Jonathan Hore

It is quite common for employees to have both employment and rental income. As is common knowledge, employers deduct PAYE from the employment income but tax on rental income is usually paid once BURS issues an assessment. I want to let you know that you can request your employer to deduct more PAYE to cover your taxes from, among others, rental ventures. In this article, words importing the masculine shall be deemed to include the feminine.

Enter tax on rent

If any person earns other income over and above employment income, they should pay tax on the profits arising from such business venture. The tax is called income tax and it is paid using the PAYE table if the business is run by a sole trader. However, if the business is run through a company, then 22% will be the tax rate applicable on the profits. Either way, the profits are subject to income tax and I want to concentrate on businesses which are operated by sole traders, such as rental ventures. Following from the above, this means that an employee will have extra tax to pay which arises from the business profits. It is common for most households to invest in rental businesses, which triggers additional income tax. What usually happens in such cases is that the rental earner's tax bill becomes heavy when BURS issues an assessment as no advance taxes would have been paid. You may know that most rental ventures are run as survival businesses and not on professional lines and rental income earned is usually squandered as it comes. As alluded to earlier, there is a way of ensuring that the rental earner does not struggle with tax bills when assessments are issued.

Employers can help

Your employer can certainly help you reduce the weight of the tax bill provided you request for such assistance in writing. BURS issued a guidance which states that employees can write to their employers to increase monthly PAYE deductions to cover anticipated tax arising from their business or any other ventures. If an employee normally pays PAYE of P10 000 a month and earns annual rental profits of P200 000, that employee can request the employer to increase PAYE deductions by P 4 166.67 a month, i.e. $((P200\ 000 \times 25\%)/12)$. The extra monthly deduction will mean that no further tax becomes payable when BURS issues an assessment for each respective tax year as sufficient taxes would have been paid through the extra PAYE deduction.

Is this legal?

This arrangement is purely legal in the sense that it is initiated by the employee, from whom the extra tax will be deducted. Therefore, if an employee instructs or requests the employer to increase the tax deductions, that is to his advantage in the sense that it minimises heavy tax bills in the future.

Tough employers

Well, it must be acknowledged that some employers may find this as some form of a burden as they have to manually adjust their payroll systems to cater for the extra PAYE deduction. However, if we are to be frank, the employer has no real stress arising from such request as the change to the system needs to be done only once a year. For those using Excel to determine their PAYE, this is even easier to implement as all that is needed is an extra line showing the tax on the business income. I am tired of typing but if that was an eye-opener, say this with me, 'Hurray, Yours Truly.'

Well folks, I hope that was insightful. As Yours Truly says goodbye, remember to pay to Caesar what belongs to him. If you want to join our Tax Whatsapp group or know about our 8 Tax e-books, send me a text on the cell number below.