

## **PAYE ON TELEPHONE & INTERNET: A DICEY TOPIC: By Jonathan Hore**

Tax has never been an easy topic and that will remain a fact. There are so many matters which are contentious as they conjure divergent interpretations, one of them being the PAYE treatment of telephone and internet usage by employees. I will analyse this intriguing issue below and shed some light on the matter. In this article, words importing the masculine shall be deemed to include the feminine.

### **The arrangements**

Most employers have arrangements where management staff is provided with post-paid cellphones, home telephones as well as home internet for them to communicate and work after hours. With the advent of COVID-19, some employers are extending these facilities to non-managerial staff, as a precaution against the merciless menace. There are employers who set a limit of the amount that employees can spend on cellphones and telephones, whilst some are allowed unlimited usage of the facilities, especially MDs or CEOs. Internet is usually not restricted in the sense that it is normally billed at a fixed fee per month.

As you may imagine, these facilities have both a business and non-business usage, which entails that the employees must pay PAYE on the non-business or private usage. Whilst some employers have policies which stipulate the accepted business usage, some do not. This makes the PAYE treatment of such benefits a contentious matter. You may also need to know that there is no guidance on that matter from the taxman, so taxpayers are free to do what they believe is sensible.

### **Enter PAYE**

I will try to elucidate the tax treatment of the different arrangements in bullet form below:

- **Unlimited usage:** It is not advisable for employers to grant employees unlimited usage of especially, cellphones and home telephones. The taxman wants the private portion taxed and when an employer does not have a policy which stipulates the business portion, then it becomes impossible to determine tax for such employees. It would be advisable to have policies which stipulate the acceptable business portion and how the excess is treated. As stated above, it is difficult to limit internet usage.
- **Limited usage:** Some employers limit the amount of cellphones and telephones usage and any excess is deducted from the affected employee's salary. For example, cellphone usage may be capped at P700 a month with any excess being to the account of the employee. Even if the employee does not use the full P700 on business, no benefit arises as the P700 is in any case regarded as the business portion. There will obviously be times when employees exceed the stipulated limit because they were using it for business and such exceptions usually have to be justified. Even where employers have a telecommunications policy, the matter still remains fluid in the sense that there is no standard set business usage and BURS may query the magnitude of the set business portions.
- **Internet:** This is the problematic of them all as it is difficult to set a business portion and yet on the other hand, it is apparent that employees and their family members do enjoy free usage of the internet. But how does one determine a business and private portion on internet with a fixed cost of say P500 a month? On the ground, some employers tax a portion of the usage whilst some regard the full amount as business. This puts employers at the mercy of the taxman as he may deem a private portion of his choosing.
- **Allowances:** There are some employers who pay employees telecommunications allowances and then require the employees to foot the bills using their taxed

amounts. That is a tax inefficient arrangement in the sense that employees get taxed on amounts that are apparently for business.

### **Conclusion**

As alluded to earlier, this matter remains contentious with no clear-cut treatment. Employers may therefore need to seek tax consultancy services to minimise any attendant tax exposures. I can only hope that this opened your mind and if it did, why not say this with me, 'Yipeee, 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.