

New PAYE & PIT Tables Are Out: By Jonathan Hore

The Minister of Finance & Economic Development, Hon Dr T Matsheka proposed a number of tax changes to Parliament when he presented the 2021-2022 national budget. One of those changes was to increase the threshold where PAYE or Personal Income Tax (PIT) is levied from the current P36 000 per annum to P48 000 and guess what, this reduces tax. I will analyse this matter in detail below and show you how it reduces tax. You may also need to know that a law to that effect was published through the Government Gazette on 26 March 2021. In this article, words importing the masculine shall be deemed to include the feminine.

PAYE & PIT brief

PAYE is a tax paid by employees on remuneration stemming from an employment arrangement. Personal Income Tax on the other hand is personal tax which is payable by individuals who, in most instances, are self-employed. These include lawyers, accountants, insurance brokers and those who run other businesses as sole traders. Having laid the background above, let me now get into the details of the new tax tables.

Enter less tax

On 26 March 2021, the above-mentioned Minister published the Income Tax Amendment Bill 2021 through the Government Gazette wherein new PAYE & PIT tables were proposed, which now exempt from tax the first P4 000 per month or P48 000 per annum. This bill is set to become law as from 1 July 2021 if approved by Parliament and its key feature is that individuals who earn P4 000 or less per month will not pay tax. There had been calls by many tax practitioners to increase this threshold in previous years as it had been overtaken by inflation. For your information, that threshold had last been adjusted in 2011.

No tax on 1st P4 000

Whilst this new proposed law completely obliterates tax for persons earning not more than P 4 000 per month, it also reduces tax for those who earn above the said exempt threshold. As an example, a person who earns P12 000 per month currently pays P1 087.50 as tax per month and will pay P900 effective 1 July 2021, saving P 187.50. High income earners will also pay less tax due to the said change. For instance, a person who earns P100 000 per month currently pays P 23 087.50 but will pay 22 837.50, realising a drop in monthly tax of P 250. Whilst this may not be much, it will slightly cushion taxpayers from the price adjustments linked to other tax increases.

The new table

Well, I could have done a PAYE table for you but tables and articles are usually not friends, so let me burden you with a string of figures as I break down the new tax bands. So, any income between P4 000 and P 7 000 per month will be taxed at 5% whilst that between P 7 001 and P10 000 will be taxed at 12.5%. Income between P10 001 and P13 000 per month will suffer tax at 18.75%, whilst 25% will apply on monthly income in excess of P13 000.

Don't twist it

It is important to state that the PAYE and PIT rates have not yet changed as Parliament still has to approve them. Therefore, no-one must suggest that Yours Truly said that the new rates have already taken effect. Lastly, my view is that it is ideal for these tables to be reviewed at least once in a period of 3 years, to match them with inflation.

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 9 Tax ebooks, send me a text on the cell number below.