

### **Pastors' appreciation subject to PAYE in Botswana**

As the year comes to an end, most churches are preparing to offer their pastors an annual appreciation, usually in cash or goods. In this regard, it is key to note that such compensation and appreciation is not in any way different from remuneration for employment services which is assessable for PAYE. Keep on reading and allow us to help understand why appreciation that is granted to pastors is taxable in the pastor's hands. In this article, words importing the masculine shall be deemed to include the feminine

### **The appreciation**

Generally, some religious organisations set aside a day or month in which the congregates are allowed to honour their church leaders i.e., pastors by way of showering these clergymen with gifts and other valuable rewards. In most cases, this technically means that the pastors, on that particular day or in that month, will be a recipient of, among other things, groceries, money, gift vouchers etc. Let us now have a look at what the tax laws say regarding such rewards.

### **The law**

As a general rule of thumb, any person who is entangled in a commercial relationship with another person or organisation that resembles that of master and servant is construed to be an employment relationship for tax purposes. Therefore, any compensation, rewards or benefits that are enjoyed by such an employee, are regarded as employment income. Consequently, such rewards or benefits are liable to employment tax i.e., PAYE. For the avoidance of any doubt, the Income Tax Act states that 'The employment income of any person for any tax year shall include the value of any other benefit or advantage granted to an employee in respect of his or her employment...' The most critical point to note is that PAYE is also triggered by rewards or benefits that accrue to an employee as a direct consequence of being an employee. Therefore, it is immaterial whether such reward or benefit is paid or granted by the employer or any other person other than the employer. For pastors, PAYE still applies even when the appreciation is paid by the congregates and not the church.

In other words, where an employee derives a monetary gain or advantage by merely being affiliated to an organisation, such gain is taxable regardless of the fact that it was not paid by the employer. Putting the above analogy into perspective, pastors are construed to be employees of their religious organisations. Therefore, any monetary gain or advantage received by any pastor, whether paid by the congregates or the church, is regarded as a taxable benefit. The churches are required to deduct PAYE from the cash and market value of any goods or vouchers given to pastors as appreciation.

### **Conclusion**

In a nutshell, pastors or religious leaders are technically employees rendering employment services to their churches. Therefore, in terms of the Income Tax Act, any form of valuable benefit derived or accruing to such persons as a direct consequence of being employed by the church is technically employment income assessable for PAYE.

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 at

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