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The unknown PAYE-free travel concession in Botswana

Section 32 of the Income Tax Act provides that any person who receives remuneration of any kind i.e., cash and non-cash allowances from an employer as a result of the employer-employee relationship is supposed to suffer PAYE if the total amount of remuneration exceeds P48 000 per annum. However, there is a little-known travel concession allowance which isn't taxable and yet it is not utilised by the private sector. The allowance is very common in the public sector and it is also referred to as leave concession. The purpose of this week's article is to highlight the benefits of remunerating employees partly through travel concessions. In this article, words importing the masculine shall be deemed to include the feminine.

The basics

Most companies endeavour to reward their hardworking employees without inflating their tax liabilities. However, with proper tax planning, employers can increase their employees' after-tax income and at the same time legally minimising PAYE. Employers can pay employees a 'travel concession allowance' without PAYE consequences. A travel concession allowance is an allowance which is paid in monetary form and is to be used by employees during periods when they take a break from work.

The tax exemption

The Income Tax Act states that taxable employment income includes any allowances not necessarily used for the business of the employer. Technically, the law brings into the ambit of taxable income every allowance paid to an employee for his or her private affairs. However, it is imperative to note that BURS, through its PAYE tables, ruled that travel concession allowances paid to employees are not taxable. This concession is commonly enjoyed by government and parastatal employees as leave or holiday concession. However, all employees including private sector employees are eligible for the allowance provided that it is paid in accordance with the requirements prescribed by BURS.

For an employee to enjoy the said concession, the allowance must be 'reasonable' and it must have been 'wholly, necessarily and exclusively' incurred for the business of the employer. It is apparent to note that no guidance as to what is regarded as a reasonable allowance was issued and that is determined by an employer. Regardless of that fact, it should also be noted that BURS reserves the right to deem any amount unreasonable where they perceive the amount to be excessive. Consequently, employers can utilise this concession as a planning tool and pay employees annual travel concessions which are fully exempt instead of taxable payments, as long as the amounts paid are reasonable. For such arrangements to be watertight, they must either be contractual or contained in a remuneration policy. The obvious resultant effect of opting for travel concession allowances instead of others such as bonuses is that employees' PAYE liability goes down and the employer may do it in such a way that the cost-to-company remains stagnant.

Conclusion
In conclusion, a travel concession allowance is tax-efficient as it reduces PAYE without inflating the cost-to-employer, i.e., an employee can opt for the said travel concession and get a lower salary or other allowance which is taxable in full. This is commonly referred to as salary sacrifice, an arrangement where an employee opts for a reduced salary in exchange for an allowance or benefit which is tax-free or which carries lower PAYE.

Well folks, we hope that was insightful. As us the two Yours Truly say goodbye, remember to religiously pay your taxes. If you want to consult, join our free Tax WhatsApp group or to know about our 9 Tax e-books, send us a text on +267 71 81 836. You can read more tax articles on our website, www.aupracontax.co.bw under the 'Tax articles' tab.