

Employer-provided security and utilities trigger PAYE

Generally, employees' compensation offered by corporates tends to include benefits and allowances that attract the best talent available on recruitment. Employers may therefore offer benefits to existing employees to retain them. Accordingly, to motivate and retain efficiency in management, some corporates usually offer non-monetary benefits which include home or personal security, electricity, water and maids. Certainly, such benefits are prone to increase efficiency as employees get to focus more on the work than worry about their domestic affairs. However, in as much as such benefits may enhance productivity, the downside is that it triggers additional tax in the hands of the beneficiary i.e., the employee.

Firstly, it is key to note that for tax purposes an employee is regarded as anyone who receives compensation for employment services in the form of remuneration. Accordingly, working directors are embraced and considered as employees. Therefore, remuneration paid to the same is required to comply with the provisions of the income tax laws. Now, for the purposes of assessing tax payable by an employee, the income tax laws provide that any payment in the form of cash and non-monetary benefits constitutes remuneration that is subject to PAYE. Consequently, managers or directors who enjoy security services, utility bills benefits and domestic workers' services fully paid by the employer are deemed to have received an employment benefit that is assessable for PAYE. In this respect, the market value of the benefit technically becomes the cost that is subjected to PAYE. In other words, the amount of money that would have been paid to the security company, BPC or WUC or the maid is added on the employee's salary and PAYE is calculated thereon.

In this regard, organisations and employers need to take cognisance of the fact that any benefit enjoyed by an employee at the expense of the employer is assessable for PAYE. Therefore, security, BPC or WUC bills and maids benefits provided by the employer technically constitute non-monetary remuneration subject to PAYE.

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