



INCOME TAX DEPARTMENT

NOTICE TO ALL EMPLOYERS ON THE IMPLEMENTATION OF THE NEW RATES OF INCOME TAX IN THE CASE OF PERSONS OTHER THAN COMPANIES OR TRUSTS

NOTICE IS HEREBY GIVEN that the Minister of Finance, has directed that the following rates of tax to be levied in accordance with Section 6 (3) of the Income Tax Order 1975, as amended, shall be deemed to have come into effect on 1 July 2008.

Rates of normal tax in the case of persons other than companies or trusts

Taxable income Exceeds	But does not Exceed	Rates of tax
E	E	E
0	60 000	0 + 20% of the excess over 0
60 000	80 000	12 000 + 25% of the excess over 60 000
80 000	100 000	17 000 + 30% of the excess over 80 000
100 000		23 000 + 33% of the excess over 100 000

Employers are hereby directed to effect the new rates with immediate effect in compliance with the law. The **New Employees' Tax Deduction Tables** will be made available in due course.

1. Calculation of Employees' Tax (PAYE)

A To determine monthly PAYE: the annual equivalent of the monthly remuneration must be established, the tax determined according to the normal tax rates (above) and results divided by 12 to establish the monthly deduction.

B To determine weekly or daily deductions: the monthly equivalent of the weekly or daily remuneration must be established, the tax determined according to A to establish the monthly deduction and the result divided by 4 or 30 to obtain the weekly or daily deductions respectively.

1.2 The employees' tax (PAYE) to be deducted is calculated on the balance of the amount of remuneration remaining after deducting the SNPF statutory contributions; and any current contribution by the employee concerned to any approved pension fund subject to a maximum of 10% of such employee's pensionable salary in any year of assessment.

1.3 Note further the following:

(a) In the case of individuals below the age of 60 years on the last day of the year of assessment

(i) The tax payable by an individual must be reduced by way of a rebate of an amount not exceeding the sum of seven thousand two hundred emalangenani (E7 200) in any year of assessment, that is, E600 on a monthly basis.

(ii) That when a tax rebate of E7 200 is combined with the lowest marginal rate of 20%, one has an effective threshold of E36 000, but, if the period assessed is less than a full year, the tax rebate shall be the same ratio such period bears to twelve months.

(iii) That the new rates will be applicable on the amount exceeding E36 000 in any year of assessment.

(b) In the case of individuals over the age of 60 years on the last day of the year of assessment

(iv) The tax payable by an individual over the age of 60 years must be reduced by way of a rebate of an amount not exceeding the sum of nine thousand two hundred emalangenani (E9 200) in any year of assessment, that is, E766.67 on a monthly basis.

(v) The secondary tax rebate which benefits the elderly, that is, persons over the age of sixty years on the last day of the year of assessment, is an amount not exceeding the sum of E2 000 per tax year. This means that an elderly person will have an effective tax rebate of E9 200 since the secondary tax rebate is in addition to the primary tax rebate of E7 200. Effectively a person over the age of sixty years is entitled to both the primary tax rebate of E7 200 plus the secondary tax rebate of E2 000.

(vi) That when a tax rebate of E9 200 is combined with the lowest marginal rate of 20%, a person over the age of 60 has an effective threshold of E46 000, but, if the period assessed is less than a full year, the tax rebate shall be the same ratio such period bears to twelve months.

(vii) That the new rates will be applicable, in the case of a person over the age of 60 years, on the amount exceeding E46 000 in any year of assessment.

(c) That the tax rebates do not apply if the tax payable is subject to the concessionary rates of tax prescribed in Part III of the Third Schedule to the Order.

Example to illustrate A and B

Example 1

A person is employed in a tax year commencing July 2008

(a) Salary per month	E 9 000.00
(b) PAYE deducted	E ?
(c) Pension fund contributions	E 450.00
(d) SNPF contributions	E 55.00

A
The monthly salary and other contributions have to be annualized first in order to determine the correct taxable income for the period.

	(E)	(E)
Gross annual salary		108 000.00
Less: Allowable deductions		
Pension contributions	5 400.00	
SNPF contributions	<u>660.00</u>	<u>6 060.00</u>
Taxable income		<u>101 940.00</u>

Normal tax

Tax on first E100 000.00	23 000.00
Tax on balance of E1 940.00@ 33%	<u>640.20</u>
Total tax	23 640.20
Tax rebate	<u>7 200.00</u>
Tax payable (Annual)	<u>16 440.20</u>

PAYE Calculation

Monthly PAYE	=	$\frac{16\,440.20}{12}$
	=	E 1 370.02

B.

Weekly PAYE	=	$\frac{1\,370.02}{4}$
	=	E 342.51
Daily PAYE	=	$\frac{1\,370.02}{30}$
	=	E 45.67

Example 2

A person is over 60 years of age and receives the following income in a tax year commencing 2008.

(a) Pension per month	9 000.00
(b) Director fees per month	2 000.00
(c) PAYE	?

	(E)	(E)
Gross annual pension	(9000*12)	108 000.00
Gross director's fees	(2000*12)	<u>24 000.00</u>
		132 000.00

Normal Tax

Tax on first E100 000.00	23 000.00
Tax on balance of E32 000.00@ 33%	<u>10 560.00</u>
Total tax	33 560.00
Tax rebate (7 200 + 2 000)	<u>9 200.00</u>
Tax payable (Annual)	24 360.00

2. The apportionment of the tax rebate

2.1 The tax payable by a natural person must be reduced by a way of rebates not exceeding the amounts stipulated in paragraph 1.3 (a) and (b) above, in any year of assessment but if the period assessed is less than a full year, the tax rebates shall be the same ratio such period bears to twelve months.

2.2 Since in terms of the law, the tax rebate must be apportioned according to the number of months that the employee has worked, the apportionment must be made as follows:

- The annual equivalent of the monthly remuneration is first established.
- The tax on the annual amount is then calculated.
- The amount of tax is divided by 12 months, and then multiplied by the number of months of worked to arrive at the correct tax for the period.
- The rebate is also apportioned accordingly.

Example 3

A person is employed in a tax year commencing July 2008 and works for 3 Months

(a) Salary per month	E 9 000.00
(b) PAYE deducted	E ?
(c) Pension fund contributions	E 450.00
(d) SNPF contributions	E 55.00

The monthly salary and other contributions have to be annualized first in order to determine the correct taxable income for the period.

	(E)	(E)
Gross annual salary		108 000.00
Less: Allowable deductions		
Pension contributions	5 400.00	
SNPF contributions	<u>660.00</u>	<u>6 060.00</u>
Taxable income		<u>101 940.00</u>

Normal tax

Tax on first E100 000.00	23 000.00
Tax on balance of E1 940.00@ 33%	<u>640.20</u>
Total tax	23 640.20

Calculation of PAYE

Apportionment of tax	=	$\frac{3}{12} \times 23\,640.20$
	=	5 910.05
Apportionment of tax rebate	=	$\frac{3}{12} \times 7\,200$
	=	1 800.00
Normal		5 910.05
Tax rebate		<u>1 800.00</u>
Tax Payable		4 110.05

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COMMISSIONER OF TAXES

Mbabane
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