

# **PAY AS YOU EARN – Taxation of Part – time Employees and Casual Workers**

## 1. INTRODUCTION

With effect from 1<sup>st</sup> April, 2002 new guidelines on the taxation of casual workers and part – time employees came into effect. This leaflet briefly explains the PAYE treatment of payments to such employees.

### PART – TIME EMPLOYEES

The term “**Part – Time**” has a special meaning for PAYE purposes that is different from the normal meaning of the phrase.

Where an employee has only one employment, that employment is not regarded as Part – Time, whatever the hours of employment. However, the second and any subsequent employments are, for PAYE purposes regarded as Part – Time (Paye Regulations – 12).

The significance of Part – Time employment is that, tax is to be deducted at the maximum rate, that is, the highest marginal rate applicable to individuals for the charge year of payment (i.e. 35% for 2008/2009).

- No deduction is to be given for tax credit and no regard is taken for cumulative tax.
- Tax deduction cards are to be maintained by the employer for all such employees
- At the end of the Income Tax year, employees who have had tax so deducted are required to file annual Income Tax Returns, giving details of all earnings and taxes paid. This will enable the Authority to calculate the correct tax and make adjustments.

Should there be any over deduction of tax, a refund is made. Where there is an under deduction of tax the employer will be required to pay the tax under deducted.

### CASUAL WORKERS

The term “Casual Employee” means an employee whose payment periods are shorter than five days (Paye Regulations – definitions).

- 1) All payments to casual workers are to be taxed using the Daily Tax Tables.
- 2) All payments up to K19, 726.00 @ 0%  
K20, 877.00 @ 25% - K 5, 219.00  
K90, 904.00 @ 30% - K 27, 271.00  
Balance @ 35%

#### Example 1

Pay for the day	= K 30, 000
Tax free	= K 19, 726 @ 0% = K 0.00
Balance	= K 10, 274 @ 25% = K2, 568.50
Net payment to employee	= <u>K 27,431.50</u>

#### Example 2

Pay for the day	K 42, 000.00
Tax due as per tax table row 5	K 5, 856.00
Total tax deducted	K 5, 856.00

Net payment to employee K 36, 144.00