

MARKETING & COMMUNICATION DEPARTMENT

PAY AS YOU EARN (PAYE) OVERVIEW

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TEP - DIVISION

SCOPE OF PRESENTATION

- ❖ Introduction
- ❖ Types Gains Chargeable To PAYE Tax
- ❖ Rates Of PAYE
- ❖ PAYE Non Taxable Incentives
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- ❖ How To Calculate Pay As You Earn (PAYE)
- ❖ Individual Obligations
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INTRODUCTION

PAYE is a method of collecting tax at source from individual residents and non residents in gainful employment. Such employees include: workers of Religious Organizations and foreign missionaries working in Kenya.

Gains or Profits includes wages, salary, leave pay, sick pay, payment in lieu of leave, fees, commission, bonus, gratuity, or subsistence, travelling, entertainment or other allowance received in respect of employment or services rendered.

Note

Any payment for temporary or casual employment for a person which exceeds Kshs. **12,000/=** per month qualifies for PAYE and the gain should be subjected to tax and accounted for **on or before 9th** of the following month.

TYPES GAINS CHARGEABLE TO PAYE TAX

The following gains will be included in determining the total income to be subjected to PAYE

- ❖ Entertainment allowance.
- ❖ House allowance
- ❖ Medical allowance
- ❖ Millage allowance
- ❖ Sitting allowance
- ❖ Special duty allowance
- ❖ Transport allowance
- ❖ School fees

INDIVIDUAL RATES OF TAX/RELIEFS: YEAR 2017

MONTHLY TAXABLE PAY KSHS.	ANNUAL TAXABLE PAY KSHS	RATE OF TAX IN % PER KSHS
1-11,180	1-134,164	10%
10,533	126,403	15%
10,533	126,403	20%
10,533	126,403	25%
EXCESS KSHS. 42,782	EXCESS KSHS. 513,373	30%

PERSONAL RELIEF: SHS. 1280 PER MONTH

(SHS. 15,360 PER ANNUM)

Ps Non residents are taxed at 30% and disallowed personal relief

PROPOSED RATES ON FINACIAL BILL 2017

Personal relief - from shs. 15360 to Shs. 16896

New tax bands to be:

On the first	Shs.147,580	10%
On the next	Shs.139,043	15%
On the next	Shs. 139,043	20%
On the The next	Shs. 139,043	25%
On all income over	Shs. 564,709	30%

This is meant to further cushion the low income earners from the burden of taxation.

Effective date: 1ST January, 2018

PAYE NON TAXABLE TAX INCENTIVES

- ❖ This are benefits allowed to an individual in order to determine the amount to be subjected to tax (chargeable pay)
- ❖ The first ksh **150,000** per month and ksh **1,800,000** per annum is tax exempt for persons living with disabilities
- ❖ Relief/deduction of interest paid on Mortgage for owner-occupied properties, subject to a maximum of **Kshs. 25,00** per month and **300,000/-** per year .
- ❖ Relief/deduction on funds deposited under a Registered Home Ownership Savings Plan, subject to a maximum of **Kshs. 4,000** per month and **48,000** per year;
- ❖ Employees contribution to registered defined benefit fund or defined contribution fund is tax-deductible – maximum **Kshs. 20,000/=** per month and **240,000** PA

TAX RELIEF

- ❖ This is a benefit allowed to the taxpayer to cushion them from the taxpayers the burden of taxation and is reduced from the tax charged to determine the tax payable
- ❖ Personal relief for Resident Individuals :- **Sh. 15,360** per annum
- ❖ Relief on premiums paid for Life, Education and Health policy for Resident Individuals:- 15% of premiums paid subject to a maximum of **Shs. 60,000/=** per annum

Note: Life or education policies – whose term commences on or after **1st January, 2003.**

- Health policy whose term commences on or after **1st January, 2007.**

How To Calculate Pay As You Earn (PAYE)

Gross Pay		45,000	
Contribution to registered pension scheme (NSSF)		200	
Interest paid on mortgage on owner occupied house (max 12,500pm) or Contribution to House Ownership Plan (HOSP) (max 4,000pm)		Savings – Nil	
Taxable pay		44,800	
1 st level		<u>-11,180</u>	@ 10% 1,118
		33,620	
2 nd Level		<u>-10,533</u>	@ 15% 1,580
		23,087	
3 rd Level		<u>- 10,533</u>	@ 20% 2,107
		12,554	
4 th Level		<u>- 10,533</u>	@ 25% 2,633
	Final Level	2,021	@ 30% <u>606</u>
Tax payable			8,044

How To Calculate Pay As You Earn (PAYE) Cont'

Tax payable	8,044
Less: Personal relief	1,280
Less: Insurance relief – Premiums paid on Life, Health & Education policies (@15% of total premiums-max Shs. 5,000pm)	<u>Nil</u>
Tax due (PAYE)	<u>6,764</u>

Note:

Payment in respect of part-time employment or services rendered is subject to PAYE Regulations at the maximum Individual Rate of Tax (30).

INDIVIDUAL EMPLOYEES OBLIGATIONS

- ❖ This are the obligation of each and every single employee:
- ❖ A taxpayer is required to declare his income and compute taxes payable at the end of each calendar year through filing of the IT 1 return (individual Income tax form).
- ❖ The return of income and accounts for any year of income should be submitted between 1st January and 30th June of the following year.
- ❖ For example, the return of Income and Accounts for 2016 are due on or before 30th June 2017, the returns for the current year 2017 will be due on or before 30th June 2018.

INDIVIDUAL EMPLOYEES OBLIGATIONS

- ❖ Filing of tax returns on or before due date for all applicable tax obligations.
- ❖ Payment of tax on or before the due date.
- ❖ Clearance of all outstanding tax debt.
- ❖ Declaring truthful information on the return
- ❖ Application of refunds and waivers through the *i* tax platform

TAX COMPLIANCE

- ❖ Application for TCC is done through *i* Tax platform.
- ❖ Visit our website on www.itax.go.ke
- ❖ Log in with your profile and click on apply for tax compliance certificate on the extreme top right corner of your profile
- ❖ File the online application form and click submit

- ❖ TCC will be sent to taxpayer's email address if the individual has complied with all the individual obligations above

THE END

THANK YOU

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