

INFORMATION FOR EMPLOYERS

YOU WILL NEED

- A system of recording wages paid and tax deducted to employees. (e.g. Wage book)
- Booklet RM205 Combined VAT and PAYE deductions.
- Form RM101 Tax deduction certificates for employees.
- Weekly PAYE tax tables for residents and non-residents.
- PAYE Schedule from 1 January 2018
- Form RM 153 Secondary Tax Code Application

TAX DEDUCTION CERTIFICATES AND TAX CODE

- Each new employee must complete the top portion of Form RM101.
- All employees are required to complete a form each year.
- The employee should select the relevant tax code as shown on Form RM101. P for Primary income and S for Secondary Income.
- If an employee fails to complete Form RM101 or does not complete the form in full, the employer shall enter the employee's name and address and print "ND" on the form. ND means no declaration. The PAYE deduction rate for ND is 30%.
- After 31 December each year or when the employee leaves his employment, the employer shall complete the bottom portion of Form RM101 and give it to the employee
 - ↻ within 7 days of leaving his employment, or
 - ↻ by 31st January each year
- The employer must send the top portion of Form RM101 to Revenue Management Division (RMD) together with the annual reconciliation statement Form RM106 by the 15th of February each year.

Compulsory

- It is compulsory for all employers to deduct PAYE from wages, salary and other payments made to employees.

TAX CODE

There are two tax codes:

- ↗ Primary tax code (P) and
- ↗ Secondary tax code (S)

The **Primary Tax Code** is used on the primary employment which is the main source of income or the job that gives the most money. An employee can only have one P tax code at any one time during the year. If the employee has several incomes, the main job uses the P tax code and the other jobs use the S tax code.

The **Secondary Tax Code** is used on your secondary income which includes all part-time jobs. There can be more than one S tax code at a time. If you have a full time job and two part-time jobs, the full time job uses the primary tax code and the two part-time jobs would use the secondary tax code.

There are four tax rates for the Secondary Tax Code (S):

- ↗ 17% for Annual Incomes less than or equal to \$30,000
- ↗ 27% for Annual Incomes more than \$30,000 but less than \$80,000
- ↗ 30% for Annual Incomes more than \$80,000
- ↗ An individualised secondary tax rate calculated on application to RMD (refer below)

The employee must advise the employer which rate to use.

INDIVIDUALISED SECONDARY TAX CODE

If the employees Annual Income exceed a marginal tax rate then part of the income will be at one rate and the rest at a higher rate. For example, if the primary income is \$25,000 and the secondary income is \$10,000, the first \$30,000 is on 17%, and the remaining \$5,000 is on 27%. In this instance, the employee should contact RMD to fill out Form RM 153 Secondary Tax Code Application and to work out the secondary rate. The employee will need to estimate his annual incomes from all sources for us to be able to calculate his/her tax rate.

HOW TO CALCULATE TAX DEDUCTIONS FOR WAGES PAID TO EMPLOYEES

WEEKLY

Primary income (tax code P) with basic weekly wage \$278.47 plus overtime \$25.98

Basic weekly wage	\$ 278.47
Plus overtime	<u>\$ 25.98</u>
Gross weekly amount	\$ 304.45
PAYE Tax to be deducted based on \$305.00 (rounded up to nearest \$) ¹	<u>\$ 15.89</u>
Net payment to employee	<u>\$288.56</u>

FORNIGHTLY

Primary income (tax code P) with basic fortnight wage \$879.23 plus overtime \$93.00

Calculations is the same as the weekly wage but the Gross Fortnight wage is divided by 2 to arrive at the gross weekly wage and look up the correct tax deduction from the PAYE Schedule, then double to get the correct PAYE for the fortnight.

Basic fortnightly wage	\$ 879.23
Plus overtime	\$ 93.00
Gross fortnightly amount	\$ 972.23

Converting to weekly wage to get the correct PAYE

Divide by 2 to get the Gross weekly amount	\$486.12
Weekly PAYE to be deducted based on \$487.00 (rounded up to nearest \$)	\$ 46.83

Converting back to fortnightly wage

Multiply weekly PAYE by 2 to arrive at the fortnightly tax	\$ 93.66
Net payment to employe	\$ 878.57

MONTHLY

1. Take the gross monthly wage.
2. If an "S" tax code multiply the gross monthly wage by the rate advised by either the employee or by Revenue Management. This is the tax to be deducted.
3. If a "P" tax code applies, the gross monthly wage to be taxed should be multiplied by 12 to arrive at the gross annual wage.
4. Use the tax rates below to arrive at the net annual tax on gross annual income.
5. Divide the net annual tax by 12 to arrive at the monthly PAYE to be deducted.

¹ Tax amount can be obtained from the PAYE schedule

ANNUAL INCOME TAX RATES FROM 1 JANUARY 2018

Gross Annual Income

0 – 11,000	No tax to be deducted ²
11,001 – 30,000	17%
30,001 – 80,000	27%
80,001 –	30%

Example 1 “P” tax code

Basic monthly wage	\$ 1,800.00
<i>Multiply by 12 to arrive at the gross annual wage</i>	<i>\$ 21,600.00</i>
<i>Annual tax on this income (using the above tax rates)</i>	<i><u>\$ 1,802.00</u></i>

Calculating Annual Tax on Gross Annual Income \$ 21,600

<i>0 – 11,000</i>	<i>No tax</i>
<i>\$21,600 – \$11,000 = \$10,600 multiplied by 17%</i>	<i>\$ 1,802.00</i>
<i>Divide by 12 to arrive at the monthly PAYE</i>	<i>\$ 150.17</i>
<i>Net payment to the employee</i>	<i>\$1,649.83</i>

² Tax threshold is \$11,000