

PAYE for high income earners to shoot by 10%

PAYE is a tax which is charged on remuneration which is earned by employees and it is deducted by employers every month. Currently, any person who earns more than P13,000 per month pays tax at the rate of 25% on the excess above the said P13,000. The Income Tax Bill of 2025 which was recently passed by Parliament seeks to increase the PAYE by 2.5% from the current 25% to 27.5% at the highest bracket. From a technical perspective, that increase actually translates to up to 10% in the PAYE of impacted earners. In other words, anybody earning more than the new minimum threshold of P33,333.33 may realize an increase in PAYE of between 1% and 10% in actual tax outgoings. In this article, words importing the masculine shall be deemed to include the feminine.

The new law

Under the current law, high income earners are regarded as persons earning more than P13,000 per month. This is however going to be changed on commencement of the new law as it shifts the threshold of high-income earners from P13,000 to P33,333.33 per month or P400 000 per annum. As stated above, the tax brackets will be adjusted such that anybody earning above the said high income (will be taxed at 27.5% being, 2.5% increase from the current 25%). However, what is critical to note is that the increase in the effective tax at the highest bracket will only be a maximum of 10%. This also considers income that is below 27.5% which will result in the high-income earners realizing between 1% increase to 10%.

The reason why the PAYE may increase by more than 2.5% is that when determining PAYE, one uses a sliding scale where low income suffers lower taxes such as 5%, 12.5%, 18.75% and 25%, whilst the high income will then suffer the highest tax of 27.5%. Therefore, one cannot conclude that PAYE for the above-mentioned high-income earners will increase by 2.5% as they have to do an effective tax calculation. Effective tax is the actual tax that one suffers as a percentage of the income base. For PAYE, the effective tax is the PAYE based on the remuneration earned by the respective employee.

As an example, a person currently paying PAYE of P100,000.00 per month, will see a jump of P10,000.00 to P110,000.00 per month, being the 10% stated above.

Conclusion

Calculations of tax for high-income earners review that the highest increase in effective tax will be around 10%, whilst the minimum increase will obviously be anything above 0%. Botswana's PAYE rates are set to increase from the 1st of July 2026 but this will not result in big changes in the effective tax for most workers especially those below P33,333.33 per month.

Tax hint: If you have never had a tax audit/review conducted by a tax consultancy firm to check whether you are tax compliant, or should it be apparent that you are not certain that your tax affairs are in good order, then don't wait for the taxman to pounce on you, as that

can be very costly. Contact us today so we can help you fix your tax affairs whilst you still have time.

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