



# INTERNAL REVENUE COMMISSION

Release date: 23rd December 2023

## PUBLIC NOTICE

### Temporary Increase in Employees Tax-Free Threshold

#### ➤ Temporary Relief Measure

In March 2022, the Government passed an amendment to the *Income Tax (Salary or Wages Tax) (Rates) Act No. 19 of 2022*, temporarily increasing the salary and wages tax (SWT) tax-free threshold from K12,500 to K17,500 per annum.

In the recent 2023 Budget sitting, this tax-free threshold has further been increased to **K20,000** per annum.

The Treasurer has announced that this change is only for a 12-month period and is scheduled to end on 31 December 2023. The Government has yet to indicate whether this threshold will be maintained or revert back given it is still being labelled as a temporary relief measure.

The Government has indicated that this measure will benefit approximately 170,000 individuals in formal employment and comes at an estimated cost to revenue of K280M.

#### ➤ Duration of the Relief Measure

The tax-free threshold increase is effective from **1 January 2023** and is intended to apply temporarily until **31 December 2023**.

#### ➤ The Rates

The amendment introduces changes to the fortnightly Tables A, B and C of Schedule 1 of the Act to reflect the tax-free threshold increase as follows: -

<i><b>Taxable Income</b></i>	<i><b>Tax Rate</b></i>
<i>The part of the taxable income that: –</i>	
<i>Does not exceed K20,000.00</i>	<i>0</i>
<i>exceeds K20,001.00 but does not exceed K33,000.00</i>	<i>30</i>
<i>exceeds K33,001.00 but does not exceed K70,000.00</i>	<i>35</i>
<i>exceeds K70,001.00 but does not exceed K250,000.00</i>	<i>40</i>
<i>exceeds K250,001.00.</i>	<i>42</i>

<i><b>Rate Table 1: Resident tax rates (effective 1<sup>st</sup> January, 2023)</b></i>		
<i><b>Annual Income Exceeds</b></i>	<i><b>Annual Income Does Not Exceed</b></i>	<i><b>Gross tax</b></i>
<i>0</i>	<i>20,000</i>	<i>N x 0</i>
<i>20,001</i>	<i>33,000</i>	<i>N x 0.30 – 6,000</i>
<i>33,001</i>	<i>70,000</i>	<i>N x 0.35 – 6,650</i>
<i>70,001</i>	<i>250,000</i>	<i>N x 0.40 – 11,750</i>
<i>250,001</i>	<i>and over</i>	<i>N x 0.42 – 16,150</i>

The 22% tax rate bracket has effectively been removed.

The measure does not have any impact on the rates for non-residents.

➤ **Administration**

The following attached document is to assist employers and taxpayers with their fortnightly calculations: -

**“FORMULA FOR COMPUTER CALCULATION OF SALARY OR WAGES TAX  
APPLICABLE FROM 1 January 2023”**

This document as well as a copy of the relevant legislative amendment can be found on the IRC website.

➤ **Compliance Costs**

It is hoped the payroll systems can adequately cater for the temporary change in the tax-free-threshold with minimum disruption and costs to businesses and other employers.

Authorised for release by;

Mr. Sam Koim, OBE  
Commissioner General