

Payroll Administration for Bookkeepers

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Presenter

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Business Strategist



Course Outline

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- Key Definitions;
- Remuneration;
- Residence Based Taxation;
- Standard Employment and Temporary Employees;
- Travel Allowance;
- Tax Deductions
- Fringe Benefits
- Payroll Reconciliations; and
- Employment Tax Incentives, UIF and Coida.
- Tax Tables for Personal Income Tax

Learning objectives

By the end of this webinar the participant should:

- Have background knowledge to legislation that governs payroll;
- Understand how to register for and calculate PAYE, SDL and UIF;
- Know how and when to submit required SARS reports;
- Understand the repercussions for late submission and non-compliance; and
- Understand how payroll affects financial reporting.

Quote:

The secret to success is to be ready for your opportunity when it comes.

- Benjamin Disraeli

Session One: Key Definitions

Definition

A natural person for tax law purposes is:

- an individual,
- a sole proprietor, or
- a partner in a partnership.

Definition

A legal entity for tax law purpose is:

- a public company,
- a private company,
- a close corporation,
- a trust, or
- any divisional council, municipal council, village management board or like authority.

Definition

Employer:

An employer is defined for payroll purposes as being any person who pays or is liable to pay any person (natural or legal) any amount by way of remuneration.

Definition

Employee:

- any person (including a director of a private company/member of a close corporation), excluding a company, who receives/accrues any remuneration,
- any person who receives remuneration for services rendered to or on behalf of a labour broker,
- any labour broker,
- any class or category of person declared by notice in the Gazette to be an employee, and
- any personal service provider.

Definition

Personal Service Provider:

means any company or trust, where any service rendered on behalf of such company or trust to a client of such company or trust is rendered personally by any person who is a connected person in relation to such company or trust, and—

Definition

(Personal Service Provider Cont.)

such person would be regarded as an employee of such client if such service was rendered by such person directly to such client, other than on behalf of such company or trust; or

Definition

(Personal Service Provider Cont.)

where those duties must be performed mainly at the premises of the client, such person or such company or trust is subject to the control or supervision of such client as to the manner in which the duties are performed or are to be performed in rendering such service; or

Definition

(Personal Service Provider Cont.)

where more than 80 per cent of the income of such company or trust during the year of assessment, from services rendered, consists of or is likely to consist of amounts received directly or indirectly from any one client of such company or trust, or any associated institution as defined in the Seventh Schedule to this Act, in relation to such client,

Definition

(Personal Service Provider Cont.)

except where such company or trust throughout the year of assessment employs three or more full-time employees who are on a full-time basis engaged in the business of such company or trust of rendering any such service, other than any employee who is a holder of a share in the company or settlor or beneficiary of the trust or is a connected person in relation to such person;

Remuneration

Definition

Remuneration means any amount of income which is paid or is payable (whether in cash or otherwise) to any person by way of any:

- Salary
- Wage
- Bonus
- Commission
- Emolument
- Leave Pay
- Overtime Pay
- Gratuity
- Pension
- Allowance (Stipend/Retiring/superannuation, etc.)

Definition

Remuneration includes:

- annuities,
- restraint of trade payments,
- 80%/20% of any travel allowance,
- 80%/20% of the cash equivalent of the user of motor vehicle fringe benefit,
- any amount received for services rendered by virtue of any employment or the holding of any office,

Definition

Remuneration also includes:

- any amount received in respect of the relinquishment, termination, loss, repudiation, cancellation or variation of any office or employment,
- an allowance or advance included in taxable income by section 8(1)(a)(i), other than a travel, subsistence or public office allowance,

Definition

Remuneration excludes:

- amounts paid in respect of services rendered by a person ordinarily resident in South Africa in the course of any trade carried on independently,
- any pension payable under the Aged Persons Act, 1967 or the Blind Persons Act, 1968,
- any disability grant or allowance under the Disability Grants Act, 1968,
- any grant or contribution under the Children's Act, 1960,

Definition

Remuneration excludes (cont.):

- any amount paid to an employee wholly in reimbursement of expenditure actually incurred by the employee in the course of his employment, and
- any annuity under an order of divorce or decree of judicial separation, or under any agreement of separation.

Definitions Cont.

Generally, remuneration is taxable on accrual or receipt, whichever event occurs first.

However, in the case of 'variable remuneration', PAYE must be withheld on the date which the amount is paid to the employee.

Variable Remuneration:

Bonuses, leave paid out, overtime, commission, and transport expense.

Residence Based Taxation

Definition

- From 1 March 2001 the “residence based” taxation system replaced the “source based” taxation system that was previously used in South Africa.
- The residence based system states that an employee must be taxed on his world-wide income in the country where he is resident.

Standard Employment and Temporary Employees

Definitions:

- Employees are in standard employment if they work 22 hours or more per week.
- Employees are also in standard employment if less than 22 hours per week are worked and no other job is held.
- Employees that work less than 22 hours per week and have more than one job are in non-standard employment, and are called temporary employees.

End of Session One

Session Two

Travel Allowance

Definitions:

- A travel allowance is granted to an employee in respect of travelling expenses for business purposes.
- This is a fixed allowance that the employee receives every pay period, regardless of actual business kilometres travelled in that period.
- For PAYE purposes, SARS requires the deduction of PAYE from 80% of a travel allowance, unless the employee uses the vehicle at least 80% for business, then SARS requires the deduction of PAYE from 20% of a travel allowance.

Reimbursive Travel Allowance

Definitions

- Reimbursive Travel Allowance
- Current rate is R3.98 per kilometre.
- The portion of the reimbursive travel that does not exceed the prescribed rate of R3.98 is excluded from remuneration and not subject to PAYE.

Definitions

Estimating a Travel Allowance for an Employee:

Three elements are required to calculate the travel allowance:

- an estimate of the business kilometres to be travelled in the year,
- an estimate of the private kilometres to be travelled in the year, and
- the rate per kilometre applicable to the value of the car.

Definitions

Establishing the Rate per Kilometre of the Vehicle:

- The determined value of the vehicle is the original purchase price including VAT but excluding finance charges and interest.
- The rates per kilometre are divided into three components on the schedule, fixed cost, fuel cost and maintenance cost.

Definitions

Establishing the Rate per Kilometre of the Vehicle:

- The fixed cost element covers the cost of depreciation, loss of interest, licensing and insurance for the year, and must be divided by the total kilometres (private and business) travelled in the tax year to give a fixed cost rate per kilometre.
- The fuel and maintenance costs are given as a rate per kilometre, and must be added to the fixed cost rate per kilometre only where the employee bears the cost of these items.

Definitions

Value of the Vehicle (including VAT) R	Fixed Cost R/annum	Fuel Cost c/km	Maintenance Cost c/km
0 – 95 000	29 504	104.1	38.6
95 001 – 190 000	52 226	116.2	48.3
190 001 – 285 000	75 039	126.3	53.2
285 001 – 380 000	94 871	135.8	58.1
380 001 – 475 000	114 781	145.3	68.3
475 001 – 570 000	135 746	166.7	80.2
570 001 – 665 000	156 711	172.4	99.6
exceeding 665 000	156 711	172.4	99.6

Subsistence Allowance

Definitions

The following are the deemed expense amounts for subsistence allowances for the 2020/2021 tax year:

Travel within the Republic:

- R139 per day/part of a day for incidental expenses only, and
- R452 per day/part of a day for meals and incidental expenses.

Travel outside the Republic:

A schedule of rates per country, published on the SARS website.

Definitions

- In order to qualify for a subsistence allowance, the employee must be required to spend at least one night away from his usual place of residence in South Africa.
- Subsistence allowance payments are excluded from remuneration and are never subject to PAYE, irrespective whether the actual payment exceeds the limits.

Arbitration Awards

Definitions

Arbitration Awards:

- Amounts paid due to unfair dismissal and early termination of the contract is remuneration and is taxable on the payroll.

Long Service Award

Definitions

Long Service Award:

- Long Service is defined as an initial unbroken period of service of at least 15 years and any subsequent unbroken period of service of at least 10 years.
- The first R5 000 of the asset given to an employee is free from tax. The value of the asset that exceeds R5 000 is taxed as an acquisition of an asset.

Severance Benefit Lump Sums - Gratuities due to Retrenchment, Retirement or Death

Definitions

Severance Benefit Lump Sums - Gratuities due to Retrenchment, Retirement or Death:

- Retirement fund lump sum benefits and severance benefits are subject to a cumulative exemption of R500 000.

Exempt Income

Definitions

Exempt Income

All items that are exempt from income are also exempt from remuneration for PAYE purposes, and include:

- war pension,
- payment of compensation in respect of diseases contracted by persons employed in mining operations,
- disability pension,
- workmen's compensation (OID),

Definitions

Exempt Income (cont.)

- social security under the social security system of any other country,
- pension received from a source outside the RSA,
- income replacement policy pay-outs,
- payment from insurance policies subject to certain conditions,
- unemployment insurance payments (UIF), and
- loss of office lump sums (subject to tax directive).

Definitions

Exempt Income (cont.)

In addition to the above, the following items are also exempt but must be reported on the payroll:

- Uniform Allowance
- Relocation Allowance
- Foreign Employment Income
- Bursaries and Scholarships
- Lump Sum Compensation for Occupational Death

End of Session Two

Session Three

Tax Deductions

Definitions

Statutory Limits

The total annual deduction for any contributions (including buy-back & voluntary contributions) towards retirement funds are limited to the lesser of:

- 27.5% of remuneration (excluding severance benefits and retirement fund lump sums), or
- R350 000.

Definitions

Payroll Giving (Employee Donations)

The maximum value of any donation that may be deducted from remuneration is limited to 5% of balance of remuneration, before taking into account the employee donation tax deduction.

Medical Tax Credits

Definitions

Medical Tax Credits

Medical scheme fees tax credits are allowed as rebates, reducing the PAYE liability of an individual.

The medical tax credits consist of a two-tier system:

- medical scheme fees tax credit, and
- additional medical expenses tax credit.

Definitions

Medical Tax Credits

For medical tax credit purposes, 'dependant' means –

- a person's spouse,
- a person's child and the child of his spouse,
- any other member of a person's family in respect of whom he is liable for family care and support, and
- any other person who is recognized as a dependant of that person in terms of the rules of a medical scheme or fund.

Definitions

Medical Tax Credits

The monthly medical scheme fees tax credit amounts are:

- R332 for the main member,
- R332 for the first dependant, and
- R224 for each additional dependant.

Definitions

Additional Medical Expenses Tax Credits (section 6B)

An employee who is 65 years or older on the last day of the year of assessment, is entitled to additional medical expenses tax credit in respect of medical scheme contributions paid or deemed paid by the employee for himself and/or his dependants.

Fringe Benefits

Definitions

Fringe Benefits

- The term fringe benefit refers to payments made to employees in a form other than cash.
- A taxable benefit is deemed to have been granted by the employer to the employee if such benefit is granted as a reward for services rendered or to be rendered.

Definitions

Fringe Benefits

- Acquisition of an Asset at Less than the Actual Value
- Right of Use of an Asset
- Right of Use of Motor Vehicle
- Meals, Refreshments and Meal and Refreshment Vouchers
- Residential Accommodation
- Free or Cheap Holiday Accommodation

Definitions

Fringe Benefits (cont.)

- Free or Cheap Services Provided by the Employer
- Low or Interest-Free Loans/Debts
- Medical Aid Contributions
- Medical Costs Incurred by the Employer
- Benefits in Respect of Insurance Policies
- Employer Contributions Towards Retirement Funds
- Employer Contributions Towards Bargaining Councils
- Payment of Debt or Release from Debt

Accounting For PAYE

Monthly Reconciliation and Payments

Accounting for PAYE

- Payments must be made before or on the seventh day of the next month.
- The EMP201 (monthly declaration) serves as a remittance advice.
- If the 7th falls on a weekend or public holiday, the payment must be made before or on the last business day before the weekend or public holiday.

Accounting for PAYE

- The EMP201 can be submitted through the latest version of the e@syFile™ Employer application or the eFiling website.
- The EMP201 is submitted per calendar month, for example 2019/03 refers to March 2019.
- A penalty of 10% of the total liability owing to SARS will be imposed on late or outstanding payments.
- The three bank accounts for PAYE, SDL and UIF are consolidated into the PAYE account (SARS – PAYE). Employers will thus only make one payment.

Annual Reconciliation and Tax Certificates

Accounting for PAYE

- In terms of the Fourth Schedule to the Income Tax Act, an employer must submit a tax certificate (EMP501) to SARS at the end of the tax year for every employee as defined above.
- IRP5(a)'s must be issued for those employees from whom employees' tax has been withheld during the tax year, and IT3(a)'s for those employees from whom no employees' tax has been withheld.

Employment Tax Incentives (ETI)

Employment Tax Incentive

- The Employment Tax Incentive Act came into effect on 1 January 2014.
- The initial effective period was three years but it was extended to end on 28 February 2029.

Employment Tax Incentive

Employer

The employer is eligible to receive the tax incentive if the employer:

- is a private sector employer registered for employees' tax (PAYE),
- is not in the national, provincial or local sphere of government,
- is not a public entity listed in Schedule 2 or 3 of the Public Finance Management Act (other than those public entities designated by the Minister of Finance by Notice in the Gazette),
- is not a municipal entity, and
- is not disqualified by the Minister of Finance due to displacement of an employee or by not meeting

Employment Tax Incentive

Employee

An individual is a qualifying employee if he/she:

- has a valid South African ID, a valid asylum seeker permit or an ID interms of Section 30 of the Refugees Act,
- is 18 to 29 years old by the end of the month (please note that the age limit is not applicable if the employee renders services mainly (more than 50%) within a special economic zone (SEZ) to an employer that carries on trade within the SEZ who is a qualifying company as contemplated in the Income Tax Act under the SEZ regime, or if the employee is employed by an employer that operates in an industry designated by the Minister of Finance),

Employment Tax Incentive

Employee (cont.)

- was employed by the employer or an associated person to the employer on or after 1 October 2013, and
- the employee must earn at least the minimum wage as specified by the sectoral determination, collective agreement or bargaining council. If no wage regulating measure is applicable, the employee must earn at least R2 000 for a full month (160 or more employed and remunerated ordinary hours).

Employment Tax Incentive

Employee

The employee will not qualify if he/she:

- is a domestic worker, or
- is a “connected person” to the employer, or
- earns remuneration of R6 500 or more during a full month (160 or more employed and remunerated hours).

Employment Tax Incentive

Monthly Remuneration	First 12 Incentive Months	Next 12 Incentive Months
R 0 – R1 999.99	50% of Monthly Remuneration	25% of Monthly Remuneration
R 2 000 – R4 499.99	R 1 000	R 500
R 4 500 – R6 499.99	Formula: R1 000 – (0.5 x (Monthly Remuneration – R4 500))	Formula: R500 – (0.25 x (Monthly Remuneration – R4 500))

Employment Tax Incentive

An employer is not allowed to reduce the PAYE payable in respect of a month if the employer, on the last day of the month,

- failed to submit any return or
- has any tax debt outstanding except if
 - ✓ an agreement has been concluded for a deferral payment,
 - ✓ an agreement has been concluded for compromise of a tax debt,
 - ✓ a tax debt has been suspended pending an objection or appeal, or
 - ✓ the tax debt is less than R100.

Unemployment Insurance Fund (UIF)

Unemployment Insurance Fund

Excluded from contributions only (must be included in the Declaration):

- employees who work less than 24 hours per month,
- employees in the national and provincial spheres of government,
- the President, Deputy President, a Minister, Deputy Minister, a member of the National Assembly, a permanent delegate to the National Council of Provinces, a Premier,
- a member of an Executive Council or a member of a provincial legislature, and
- any member of a municipal council, a traditional leader, a member of a provincial House of Traditional Leaders and a member of the Council of Traditional Leaders.

Unemployment Insurance Fund

UIF contributions must be based on remuneration as defined in the Fourth Schedule to the Income Tax Act, but excluding:

- pension, superannuation allowance or retiring allowance,
- annuities,
- payments to a labour broker in possession of an IRP30 exemption certificate,
- any amount, including a voluntary award in respect of relinquishment, termination, loss, repudiation, cancellation or variation of any office or employment,
- once-off payments such as lump sum payments from pension, provident or retirement annuity funds,
- restraint of trade payments, and
- commission.

Unemployment Insurance Fund

UIF Contributions

- If the employee is not excluded as an employee, then both the employer and the employee must contribute monthly at a rate of 1% of UIF remuneration up to the current limit.
- Employees earning over the current limit of R17 712 per month must pay contributions at the limited amount.
- If the employer is registered with SARS for PAYE purposes, the UIF contribution must be paid to SARS, otherwise to UIF.

Skills Development Levies (SDL)

Skills Development Levy

Skills development levies are paid on a monthly basis to SARS at a rate of 1% of the leviable amount.

Occupational Injuries And Diseases (OID)

Occupational Injuries And Diseases (OID)

The categories of claimants to whom benefits become payable are:

- employees who suffer a temporary disability,
 - employees who suffer a permanent disability, and
 - dependants of employees who die as a result of occupational injuries or diseases.
- ✓ Employers must complete and submit the annual W.As 8 return by 31 March each year.
- ✓ The OID limit for the 2019/2020 tax year is R458 520.

Tax Tables: 2021/22

Tax Tables: 2021/22

2022 tax year (1 March 2021 – 28 February 2022)

– See the changes from the previous year

Taxable income (R)	Rates of tax (R)
1 – 216 200	18% of taxable income
216 201 – 337 800	38 916 + 26% of taxable income above 216 200
337 801 – 467 500	70 532 + 31% of taxable income above 337 800
467 501 – 613 600	110 739 + 36% of taxable income above 467 500
613 601 – 782 200	163 335 + 39% of taxable income above 613 600
782 201 – 1 656 600	229 089 + 41% of taxable income above 782 200
1 656 601 and above	587 593 + 45% of taxable income above 1 656 600

End of Session Three

Questions & Answers

Thank you for participating.