

Payroll Administration for Bookkeepers (Part 2)

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Ask Questions

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Feel free to ask your questions during the webinar in the chat, these will be address in the formal Q & A at the end of the presentation.

Presenter

Russel Ngoben

Entrepreneur

Business Accountant

Tax Practitioner

Motivational Speaker

Small Business Mentor

Business Strategist



Course Outline

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Practical Application of:

- Remuneration;
- Travel Allowance;
- Tax Deductions
- Payroll Reconciliations; and
- Employment Tax Incentives, UIF.
- Tax Tables for Personal Income Tax

Learning objectives

By the end of this webinar the participant should:

- Calculate Personal Income Tax
- Create Employee Tax Certificates
- Prepare Payroll Tax Submissions

Quote:

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

- Benjamin Disraeli

Key Definitions

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,

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.

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.

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

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.

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.

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

| 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: $R1\ 000 - (0.5 \times (\text{Monthly Remuneration} - R4\ 500))$ | Formula: $R500 - (0.25 \times (\text{Monthly Remuneration} - R4\ 500))$ |

Unemployment Insurance Fund (UIF)

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.

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 |

Practical Session

Thank you for participating.