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# Payroll Taxes

What you need to know

[www.sars.gov.za](http://www.sars.gov.za)  
0800 00 7277

 **SARS**  
At Your Service

## **Payroll Taxes – What you need to know**

Employers play an important role in the South African tax system. Payroll data that is submitted by employers during the annual reconciliation allows the South African Revenue Service (SARS) to pre-populate an employee's Income Tax Return (ITR12).

Payroll taxes are made up of deductions withheld from an employee's salary and amounts payable by employers all of which is paid by employers to SARS:

- Employees' Tax [Pay-As-You-Earn (PAYE)] – withheld from employee's salary
- Skills Development Levy (SDL) – payable by employer; and/or
- Unemployment Insurance Fund (UIF) – withheld from employee's salary and payable by employer in equal shares.

Employees' Tax is the tax that must be deducted by an employer from an employee's remuneration and paid to SARS. The process is commonly referred to as PAYE. The amounts deducted must be paid monthly by the employer to SARS, and is accompanied by the submission of a completed Monthly Employer Declaration (EMP201).

Employers will annually, issue each employee with an Employee Tax Certificate [IRP5/IT3(a)] which reflects all the remuneration paid and deductions during the tax year. The IT3(a) certificate type provides reasons for tax not being withheld or deducted from an employee.

### **What is the Skills Development Levy (SDL)?**

The Skills Development Levy (SDL) is a compulsory levy scheme used by government to fund education and training as stated in the Skills Development Act, 1998. This levy is payable monthly by employers to SARS. SDL funds are to be used to develop and improve skills for employees as well as promoting learning and development.

### **What is the Unemployment Insurance Fund (UIF) contribution?**

This is a compulsory contribution to fund unemployment benefits. Since 1 April 2002, the contributions deducted and payable monthly by employers have been collected by SARS and are paid over to the UIF which is managed by the Unemployment Insurance Commissioner. The funds are used to provide short-term relief should workers become unemployed or unable to work for various reasons such as,

maternity or adoption leave, illness or relief to the dependants of a deceased contributor.

An employer who is registered or required to register with SARS for PAYE and/or SDL purposes, is also required to register with SARS for the payment of UIF contributions.

### **What is the Employment Tax Incentive (ETI)?**

The Employment Tax Incentive (ETI) is an incentive aimed at encouraging employers to hire young and less experienced work seekers. It was implemented with effect from 1 January 2014. It will reduce the employer's cost of hiring young people through a cost-sharing mechanism with government, by allowing a reduction in the amount of Employees' Tax (PAYE) payable while leaving the wage received by the employee unaffected.

## **Declarations and reconciliations**

### **The Monthly Employer Declaration (EMP201) submission**

The employer needs to complete an EMP201 and submit it to SARS. The EMP201 is a payment declaration which the employer uses to declare the total payment together with the allocations for PAYE, SDL, UIF and ETI, if applicable.

The EMP201 and the payment must be made within seven days after the end of the month for which the amount is being deducted. If the last day for payment falls on a public holiday or weekend, the payment must be made on the last business day before the public holiday or weekend.

Employers who pay, or are likely to pay Employees' Tax in excess of R10 million in any 12-month period, must submit Employees' Tax declarations and make payments electronically.

### **The Employer Reconciliation Declaration (EMP501) – Interim and Annual**

Employers are required to complete and submit an Employer Reconciliation Declaration (EMP501), and if applicable, a Tax Certificate Cancellation Declaration (EMP601).

The declarations should be submitted twice during a year:

- **Interim period** – which is for the six-month period 1 March to 31 August. Employers are not required to issue tax certificates to employees for the interim period. Certificates should only be provided to employees whose employment was terminated before the closing of the interim period, due to resignation, death, immigration or an employer ceasing to be an employer.

- **Annual period** – which is for the full year 1 March to 28/29 February. Employers are required to issue tax certificates to employees for this annual period after submitting copies together with the completed EMP501 to SARS.

There are three elements on the EMP501 that must reconcile for the reconciliation submission to be successful. These are:

- Monthly Employer Declarations (EMP201s) submitted
- Employee Tax Certificates [IRP5/IT3(a)s] generated (to be issued)
- Payments made (excluding penalty and interest allocations)

## Submissions and payments

### How to submit the EMP501

#### e@syFile™ Employer

SARS has developed a free software application linked to eFiling which allow employers to complete their reconciliation submission offline on a computer and then send these to SARS via eFiling.

e@syFile™ Employer was designed to help taxpayers manage working with SARS quickly, easily and conveniently. It can be downloaded and the importing/capturing of tax certificates and the capturing of EMP501s can be done offline. You only go online when you are ready to submit to SARS.

**Note:** Current information must be backed-up on your computer before installing the latest version, as the installation may delete your current information. Beware, any beta test version downloaded must be uninstalled before installing the latest version of e@syFile™ Employer. The latest version of e@syFile™ Employer is available and can be accessed by visiting the SARS eFiling website [www.sarsefiling.co.za](http://www.sarsefiling.co.za) and downloading it.

By requesting a Statement of Account after you did your submission, you will be able to see any outstanding Debt, Outstanding Returns and Unallocated Payments.

#### eFiling

You can use eFiling if you have 20 or less IRP5/IT3(a)s to submit with your Employer Reconciliation Declaration (EMP501). To register for eFiling, visit [www.sarsefiling.co.za](http://www.sarsefiling.co.za) and follow the easy registration steps. Once registered for eFiling, log on to your eFiling profile. Click “Returns” on the menu bar.

Then follow the four e@sy steps to reconcile and submit your EMP501.

### **How to request, submit and make payment in respect of the EMP201 and EMP501**

An employer can request and submit an EMP201 and EMP501 to SARS through any of the following channels:

- e@syFile™ Employer (no limit on the number of IRP5/IT3(a) certificates that can be submitted)
- eFiling (limited to only 20 IRP5/IT3(a) certificates that can be submitted)
- In person at a SARS branch (limited to a maximum of only five IRP5/IT3(a) certificates that can be submitted per taxpayer)

The EMP201 and EMP501 must be completed and can be submitted via the following channels:

- Electronically via:
  - e@syFile™ Employer
  - eFiling.

Manually completed payroll tax forms dropped-off at a SARS branch or posted, are no longer accepted.

**Please note:** SARS does not accept faxed, emailed or printed eFiling or e@syFile™ Employer declarations.

### **Making payment**

A unique payment reference number (PRN) will be pre-populated on the EMP201 and EMP501, and will be used to link the actual payment with the relevant EMP201 and EMP501.

Please note that all debit pull transactions have been discontinued and only credit push transactions will now be accepted on eFiling. Taxpayers are advised to set-up a Credit Push payment option or use one of our alternative methods of payment:

- Via eFiling
- Over the counter at a bank (Cheques limited to R500 000)
- EFT – electronic funds transfer using internet banking
- At a specific SARS branch (Cheques limited to R50 000)

**Want to learn more about Payroll Taxes?**

If you would like to know more about payroll taxes, you can

contact SARS concerning free tax workshops which takes place from time to time.

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For more information you may –

- Visit the SARS website [www.sars.gov.za](http://www.sars.gov.za);
- Visit your nearest SARS branch;
- Contact your registered tax practitioner;
- Contact the SARS National Contact Centre –
  - o If calling locally, on 0800 00 SARS (7277); or
  - o If calling from abroad, on +27 11 602 2093 (only