

PAYE Interim Reconciliation and system readiness



Solidarity

Equality

Sustainability



South African Revenue Service

The Purpose and SARS Vision

Purpose:

- This presentation is merely to provide information in an easily understandable format and is intended to make the provisions of the legislation more accessible
- The information therefore has no binding legal effect, and the relevant legislation must be consulted in the event of any doubt as to the meaning or application of any provision.

SARS Vision

To build a smart modern SARS with unquestionable integrity, trusted and admired by Government, the public, as well as our international peers.
We focus on the following strategic intents:

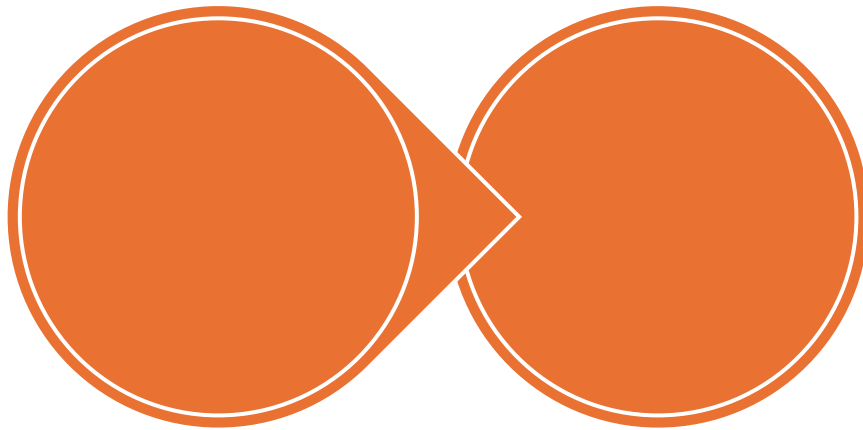
MAKE IT EASY &
SIMPLE TO
COMPLY

MODERNIZE
SYSTEMS TO
PROVIDE SEAMLESS
ONLINE DIGITAL
SERVICES

CREATE
AWARENESS,
CLARITY &
CERTAINTY

MAKE IT HARD TO
NOT COMPLY

Points of discussion



- ❖ Introduction
- ❖ Enhancement for Interim PAYE filing season
- ❖ Accuracy and Timely Filing
- ❖ Consequences of Non-compliance

Introduction

- ❖ The Employer Interim Reconciliation submission period is from **22 September to 31 October 2025**. During this time, all employers in the private and public sectors must reconcile their declarations for the first six months of the reconciliation year (**1 March 2025 to 31 August 2025**) and submit these on eFiling or e@syFile™ Employer. Employers with 50 and less employees may use eFiling.



Enhancement for Interim PAYE filing season

- ❖ New source codes have been added to the IRP5/IT3(a) certificate
- ❖ Changes to field types and validations
- ❖ Enhancements to EMP501 Reconciliation process
- ❖ Updates to Employment Tax Incentive (ETI) account
- ❖ Validation of ITREG eFiling registration
- ❖ Enhancement to e@syFile™ Utilities
- ❖ Changes to SARS Letters and Forms.

New source codes have been added to the IRP5/IT3(a) certificate

- ❖ Source codes 3623 /3673 (Local service income/ antedated salary/pension previous year)
- ❖ Code 4042 (PAYE in current year of assessment section 11(nA) and paragraph 2(4)(g) of the Fourth Schedule to the Income Tax Act no 58 of 1962)
- ❖ Code 4588 (repaid by the employee - recoupment section)
- ❖ Code 4589 (repaid by the employee - recoupment section 11(nB) .i.e. restraint of trade)



Changes to field types and validations

- ❖ Directive number: 3230 (3623/3673 completed (2026) – directive number is mandatory).
- ❖ Directive income source code: 3232 (from 2026 codes 3603/3653, 3610/3660 or 3623/3673 can be used).
- ❖ Income Tax reference number: 3100 – from the 202602 submissions, IRP5/IT3(a) certificates without a TRN will be rejected if the TRN is mandatory



Enhancements to EMP501 Reconciliation process

- ❖ The user will be prevented from requesting EMP501 Reconciliation prior to 1999.
- ❖ The EMP501 reconciliation will be marked as received once the reconciliation has passed balancing to prevent raising unnecessary administrative penalties.
- ❖ The Employment Taxes Validation calculation has been enhanced to make provision for a source code 4042 deduction.



Employment Tax Incentive (ETI) account

- ❖ Understatement penalty (USP) will be imposed on the overstated amount of ETI.
- ❖ An additional penalty will be imposed if the employer misuse the incentive as defined in section 5(3) of the Employment
- ❖ Tax Incentive Act No.26 of 2013. The legislative updates of the ETI amounts have been incorporated into an annexure to guide auditors when recalculating the incentive.



Validation of ITREG eFiling registration

- ❖ An additional check has been added to ensure that the e@syFile user has the applicable rights to register an employee for income tax, on behalf of the employer selected in the e@syFile DB.
- ❖ Employers will no longer be able to submit reconciliations without valid Income Tax numbers for all employees.



Enhancement of e@syFile Utilities

- ❖ A new function, PAYE Data Extract, was added on the Database Utilities screen to enable a user to either extract or import a single employer (PAYE reference number) in an existing database
- ❖ The extract function will require the user to generate a username and password which must be captured when the data is imported in a new database
- ❖ An option to request an Employer Statement of Account was added to the e@syFile landing page



Accuracy and Timely Filing

To submit a correct and complete reconciliation, your EMP501 must reflect:

- ❖ PAYE, UIF, and SDL values from your previously submitted EMP201 returns, which will prepopulate in the EMP501. Employers must amend the prepopulated figures to the correct amounts.
- ❖ Payments made during the period (excluding any penalties and interest); and
- ❖ Accurate payroll information together with the IRP5/IT3(a) tax certificates for the period 1 March 2025 to 31 August 2025
- ❖ Employers must check the status of submissions regularly after submission to ensure that their EMP501 was correct and accurate when filed with SARS.

Accuracy and Timely Filing

- ❖ Submitting accurate declarations on time leads to a smooth reconciliation process and helps avoid unnecessary penalties, such as:
 - Possible penalties and interest for incorrect calculations. Incorrect calculation of the monthly PAYE liability could result in the imposition of both penalties and interest. This includes corrections made on the EMP501 reconciliation, because any shortfall is attributed to the last month of the reconciliation period.
 - Late submission penalties. Employers must submit an accurate EMP501 using e@syFile™ Employer or SARS eFiling by **31 October 2025** to avoid penalties

Consequences of Non-compliance

- ❖ Failure to comply with reconciliation requirements carries serious consequences:
 - Late submission of an EMP501 will result in administrative penalties equal to 1% of your annual PAYE liability. This penalty increases by 1% for every month the return remains outstanding, up to a maximum of 10%.
 - ETI employers with unused ETI will forfeit the ETI for non-submission or where the employer has a non-compliant status.
 - Employers who wilfully or negligently fail to submit EMP201 or EMP501 returns will be guilty of an offence. Upon conviction, they will be liable for a fine or imprisonment for up to two years.

What Constitutes a Criminal Offence?

- ❖ Employers will face a fine or imprisonment for up to two years if they:
- Fail to deduct employees' tax (PAYE) from remuneration or fail to pay the deducted tax to SARS within the prescribed period;
 - Do not deliver IRP5 or IT3(a) certificates to employees or former employees within the prescribed deadlines; or
 - Use employees' deducted tax for purposes other than paying the correct amount to SARS.



— MAKE —
TAX MATTERS
YOUR **PRIORITY #1**

Tax matters, so does your time.



Employer Interim Reconciliation (EMP501) **22 Sept to 31 Oct 2025.**

Guide employers to submit on time using the latest
e@syFile™ Employer or SARS eFiling to ensure accuracy
and avoid penalties.



Thank you
Siyabulela
Siyabonga
Siyathokoza
Dankie
Re a leboga
Re a leboha
Ro livhuwa
Ha khensa



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