



One month to go! Employers have until 31 May 2012 to submit their Annual PAYE Reconciliations. Once again Employer Connect brings you information that will make it more convenient for you to complete your Employer Reconciliation Declaration (EMP501) and manage your interaction with SARS. In this edition we focus on 4 easy steps to reconcile your EMP501 declaration as well as several new and enhanced functions of e@syFile Employer.

## Latest version of e@syFile available

The latest version of e@syFile™ Employer is now available. Version 6.0.1 addresses problems with login credentials by correcting a few technical issues affecting various operating systems. [More...](#)

## Reconciling in 4 e@sy steps

Employers have until 31 May 2012 to submit their annual Employer Reconciliation Declaration (EMP501) for the tax period 1 March 2011 to 29 February 2012. Here are four e@sy steps to help you reconcile. [More...](#)

## New and updated e@syFile functions

SARS has made available several new and updated functions in e@syFile™ Employer to assist you to simply, securely and conveniently complete your Employer Reconciliation Declaration (EMP501) and manage your interaction with SARS. [More...](#)

## Penalties for non-compliance

Employers who fail to submit a fully reconciled, accurate and complete EMP501 to SARS by the due date specified by the Commissioner are liable for the imposition of a penalty. [More...](#)

## New tax rates

In his Budget Speech, the Minister of Finance proposed new tax rates, tax rebates, thresholds and other tax amendments for individuals. These changes, as well as other changes announced in last year's Budget Speech, came into effect on 1 March 2012. [More...](#)

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## **Latest version of e@syFile available**

Following reports of an error with login credentials, SARS has made available a new version of e@syFile™ Employer.

### **Version 6.0.1 addresses these problems and includes:**

- A correction to the application to prevent the login credentials from being saved incorrectly, the root cause of the issue where employers receive a message that their login credentials are incorrect after entering the correct username and password.
- A “self-healing” component that will automatically correct the employers e@syFile installation where the login details have been saved incorrectly. Therefore, those employers that have already experienced the login issue will now be able to logon after installing this update. On application start-up the application will alert them that their login credentials were corrupt, and that e@syFile will repair this automatically. They will then be able to login as per normal.
- Correction to the Restore process: EMP501 historical data included in backup will now display correctly after restoring database or backup files.

All other features that were introduced by SARS for this year's PAYE recon are unaffected and can still be used to assist employers to file their reconciliation declarations.

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## Reconciling in 4 e@sy steps

Employers have until 31 May 2012 to submit their annual Employer Reconciliation Declaration (EMP501) for the tax period 1 March 2011 to 29 February 2012.

This means you are required to:

- Submit accurate reconciliation declarations including your EMP501 and IRP5/IT3(a), and where applicable your EMP601 declaration.
- Ensure that your EMP501 reconciles to your Monthly Employer Declarations (EMP201s) submitted during the year. The EMP201s must reconcile to payments made for the year of assessment. These payments must reconcile to your Employee Income Tax Certificates [IRP5/IT3(a)].

Here are four e@sy steps to help you reconcile:

### Step 1

**Download** or access the latest version of e@syFile™ Employer, which is a software package designed by SARS to help you manage your submission with SARS quickly, easily and conveniently on your computer, in the comfort of your office or home, by:

- Visiting the SARS eFiling website [www.sarsefiling.co.za](http://www.sarsefiling.co.za) and downloading the latest version of e@syFile™ Employer.
- Selecting “Update” from the application menu if you are already using e@syFile™ Employer to ensure you are using the latest version of the software.
- Calling the SARS Contact Centre on 0800 00 SARS (7277) or visiting your local SARS branch and requesting the latest version of the e@syFile™ Employer CD to be posted to you. (It may take more than two weeks to be delivered to you and will only be delivered to physical street addresses, not post boxes.)

**Note:** It is important to **always backup your current information** on your computer prior to installing a new version of e@syFile™ Employer, as the installation may delete the current information.

## **Step 2**

**Import** the electronic IRP5/IT3(a) CSV files from your current payroll system into e@syFile™ Employer.

## **Step 3**

**Reconcile** your EMP501.

Capture all additional manual IRP5/IT3(a)s, and e@syFile™ Employer will use the information from all the tax certificates to automatically populate certificate totals for your EMP501. Enter your monthly liabilities and payments, and e@syFile™ Employer will calculate the rest.

## **Step 4**

**Submit** your completed EMP501 and IRP5/IT3(a), (and where applicable EMP601) before the deadline of **31 May 2012**.

Submission can be made:

- Electronically:
- Online using e@syFile™ Employer – via SARS eFiling using an eFiling username and password.
- On a disk at a SARS branch - the disk must contain an encrypted file created by the e@syFile™ Employer software. Signed hard copies of the EMP501, and, if applicable, the EMP601 must be submitted together with the disk. Once SARS has captured the information, the disk will be returned to you, to maintain the security of the information provided.

## **Other helpful tools**

- **Reconciliation Assistant**

Where your reconciliation submission fails to reconcile across the three elements [EMP201, payments submitted and IRP5/IT3(a)s], SARS will issue a letter notifying you that your reconciliation submission was unsuccessful. The Reconciliation Assistant is available to assist in correcting your tax affairs,

balancing your reconciliation submission and avoiding a penalty being imposed! [More...](#)

For more information on the Reconciliation Assistant, visit the SARS website [www.sars.gov.za](http://www.sars.gov.za).

- **Employer Statement of Account (EMPSA)**

SARS provides employers with a detailed Employer Statement of Account (EMPSA) that assists them in keeping up to date with their tax accounts. This development is yet another key benefit from the SARS modernisation programme to equip taxpayers with additional tools to do their taxes.

The EMPSA is issued for the administration of Payroll Taxes and provides a summary of all financial transactions processed against the employer's account which relate to Pay-As-You-Earn (PAYE), the Skills Development Levy (SDL) and the Unemployment Insurance Fund (UIF).

The EMPSA reflects all financial transactions in respect to the EMP201 submitted, payments made, audit assessments, adjustments made due to the reconciliation process (EMP501), as well as additional charges relating to penalties and interest.

The EMPSA gives a consolidated view of their PAYE, SDL and UIF transactions. Where transaction discrepancies appear, sections will remain highlighted to allow employers to better manage their accounts efficiently and effectively.



## **New and updated e@syFile functions**

The South African Revenue Service (SARS) has made available several new and updated functions in e@syFile™ Employer for the 2012 Annual Employer Reconciliation.

These minor enhancements will assist you to simply, securely and conveniently complete your Employer Reconciliation Declaration (EMP501) and manage your interaction with SARS.

A number of security and performance enhancements have been introduced with respect to the database and an enhanced synchronisation process resulted in the introduction of a new notification centre.

### **1. Database split by Pay-As-You-Earn (PAYE) reference number**

The e@syFile™ Employer software has been enhanced to divide information, included in an existing database file, by PAYE reference number.

Each user will now have a master database file, and additional database files for each PAYE reference number or employer included within their responsibility.

This division of database files will enable users to manage the information per employer or PAYE reference number.

All correspondence received will be included in the master database file, and information related to Employer Reconciliation Declarations (EMP501), Monthly Employer Declarations (EMP201) and payments will be included in the individual employer database files. [More...](#)

## **2. New database encryption and decryption**

In order to keep up with the growing need to protect sensitive information, encryption and decryption functions will be introduced.

All e@syFile™ Employer database files, including back-up files, will be encrypted with a unique key. After login, users will select a database for a specific PAYE reference number or employer to initiate the decryption process, allowing access to the information for that specific employer or PAYE reference number.

When a user logs off or closes the software, all database files will be encrypted for protection once again. The operation to secure your database files can take several minutes and should not be interrupted. The application will close automatically once your data has been encrypted.

Users MUST protect and save their unique “key” file with all database or back-up files, as only users with valid e@syFile™ Employer login details will be able to access the information. What this means is, only users with valid e@syFile™ Employer login details, will be able to access the information.

**Please note:** It is vitally important to protect your e@syFile™ Employer login details, as the login details used whenever a database or backup file is opened, restored or merged will be required. [More ...](#)

## **3. New Notification Centre**

In previous releases, the synchronisation process was enhanced to include an option to select specific items or letter types to be retrieved during the synchronisation process.

To improve the synchronisation process and retrieval of electronic correspondence, a Notification Centre has now been included to replace the Inbox in the Utilities menu.

The new Notification Centre will automatically sort retrieved correspondence by PAYE reference number, as well as letter type, making it easier to manage correspondence and the related processes. The notification letters also alerts you to new correspondence that is available, even before you have completed a synchronisation of the application. This saves you time, and means you only need to complete a synchronisation when new correspondence is available.

The new Notification Centre also includes a record count for each letter type, displayed for each employer.

- The Notification Centre can be viewed for new correspondence available, which can be accessed by synchronising.
- Agent appointment correspondence will be added to the individual employer database files once an Agent Appointment notification has been accessed via the Notification Centre menu. Details can still be accessed and managed from the Agent Appointments menu option once the letter has been opened.

**Please note:** An extremely important point to note is to always make a backup of your database before installing any updated version of e@syFile™ Employer. Please back-up your database before installing the latest version of e@syFile™ Employer. [More ...](#)

For your convenience, 'A quick guide to the new and updated functions available in e@syFile™ Employer – March 2012' is available on the SARS website, [www.sars.gov.za](http://www.sars.gov.za) > Tax Types > PAYE for Employers, which will show you the enhanced website and how to use these correctly.

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## Database split by PAYE reference number

Each user will have a master database file, and additional database files for each PAYE reference number or employer included in their current database. The split in data will enable users to manage their information per employer or PAYE reference number.

All correspondence received will be included in the master database file, and information relating to the Employer Reconciliation Declarations (EMP501s), Monthly Employer Declarations (EMP201s) and payments will be included in the individual employer database files. These changes will have a minor effect on the navigation of existing functions within e@syFile™ Employer. Users will now select a specific employer or PAYE reference number to open the software and database file.

### Step 1 – Opening a database file

A selection box will be seen after login, listing the database (employers) files available in e@syFile™ Employer. Select which database or employer you will be working with. Click **Continue** to proceed with the decryption and opening of the database file. A pop-up message will be displayed once decryption has completed. Once a specific database file has been opened, the user will be able to continue accessing the e@syFile™ Employer function or menu options for that specific employer.

### Step 2 – Changing to another employer

Users with multiple employer/PAYE reference numbers included in their existing e@syFile™ Employer data may change between different database files if required. Two options are available to navigate between data files:

1. Click **Change** on the task bar at the bottom of the screen to display the list of available database files.

**OR**

2. Click **View/Edit/Change** below **EMPLOYER ADMIN** on the left hand menu.

Click **Change Employer** Select **Click to Change**, to display the list of available database files.

Select the relevant database file and click **Continue** to proceed.

For your convenience, 'A quick guide to the new and updated functions available in e@syFile™ Employer – March 2012' is available on the SARS website, [www.sars.gov.za](http://www.sars.gov.za) > Tax Types > PAYE for Employers, which will show you the enhanced functions and how to use these correctly.

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## **New database encryption and decryption**

Information security is becoming more and more important as risks of fraud, due to unauthorised access to information and phishing, have greatly increased.

Given the fact that sensitive information relating to employees and payroll data is stored within e@syFile™ Employer, SARS has introduced new security features to ensure the data is always protected and secure.

By incorporating industry strength of encryption and decryption, the latest e@syFile™ Employer update will ensure your database and backup files are encrypted with a unique key when not in use.

What this means is that only users with valid e@syFile™ Employer login details will be able to access the information. Valid e@syFile™ Employer login details must be provided which will allow users to select the specific PAYE reference number for that session.

The database will be unlocked through a decryption process, while the other linked PAYE reference numbers (database files) not in use, will remain secured. When logging off or closing the software, all database files will once again be encrypted for protection.

Knowing your e@syFile™ Employer login details is very important, as without these the database files cannot be accessed. This includes the administrator profile (ADMIN username), as well as the two user profiles setup during the first installation.

**Note:**

Due to stringent security used, SARS **will not** be able to recover data where valid login details have been lost or forgotten; therefore it will not be possible to access encrypted data again. You will need to provide your e@syFile™ Employer login details when restoring or merging database backups. During these operations, users will be requested to provide the username and password that is applicable to the database backup being used.

**It is of utmost importance to protect your e@syFile™ Employer login details, as the login details will be required whenever a database or backup file is opened, restored or merged.**

For your convenience, 'A quick guide to the new and updated functions available in e@syFile™ Employer – March 2012' is available on the SARS website, [www.sars.gov.za](http://www.sars.gov.za) > Tax Types > PAYE for Employers, which will show you the enhanced functions and how to use these correctly.

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## New Notification Centre

To improve the synchronisation process and retrieval of electronic correspondence, a Notification Centre has been added, which replaces the Inbox in the Utilities menu.

The new Notification Centre will automatically sort retrieved letters by PAYE number and letter type, making it easier to manage correspondence and related processes.

The new Notification Centre will include a count of unread/new correspondence, for each letter type, displayed per employer/PAYE reference number.

- The tax year column will now display the issue date of correspondence retrieved.
- Agent appointment correspondence will be added to individual employer database files once the notification has been opened from the menu. Details can be accessed and managed from the Agent Appointments menu option, once the letter has been opened.
- Similarly, bulk ITREG results will be available for export after the ITREG notification letter has been opened.

### Step 1 – Synchronise software

To access the new Notification Centre, users will have to synchronise the application with their eFiling profile, and download new correspondence. Click **Synchronise Application** to initiate the process.

For a detailed guide on how to synchronise, refer to chapter 6 – eFiling Synchronisation in the e@syFile™ Employer user guide available on [www.sars.gov.za](http://www.sars.gov.za).

## **Step 2 – Notification Centre**

Click **Notification Centre** on the left hand menu, to display all available correspondence, listed by employer/PAYE reference number.

Correspondence count numbers/indicators marked in blue and red indicates new correspondence that requires your attention. This includes unread letters that were downloaded previously, as well as new correspondence that is available and can be retrieved during synchronisation. If the mouse cursor is moved over the correspondence counts displayed on the right, a pop-up message will show a description or option. Urgent items (such as IT88) are displayed in red.

## **Step 3 - View Correspondence**

To view available correspondence, click the line entry for the relevant employer listed in the notification centre after which e@syFile™ Employer will automatically open the correct employer database to access correspondence details for that PAYE reference number.

Click **OK** to view the available correspondence.

The details displayed include letter type and status for all available correspondence.

**Note:** Agent appointment notifications must be opened to add the details to the Agent Appointments menu function for processing.

## **Step 4**

To view any specific correspondence listed in the Notification Centre, double-click on the relevant line item. Once opened, the status will be updated from **ISSUED** to **READ**.

For your convenience, 'A quick guide to the new and updated functions available in e@syFile™ Employer – March 2012' is available on the SARS website, [www.sars.gov.za](http://www.sars.gov.za) > Tax Types > PAYE for Employers, which will show you the enhanced functions and how to use these correctly.

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## Update on the Individual/Bundled Income Tax Registration (ITREG) process

With the introduction of the e@syFile™ Employer Notification Centre, there has been a minor change to the synchronisation process to obtain your individual/bundled ITREG results.

The change only affects the way results are returned. Therefore, registration requests are still submitted by selecting the employees to be registered using the '**View/Edit Employee function**'. Click **Bundled IT Reg** to view the registration status for each employee, and where necessary, submit an individual or bundled ITREG request to SARS.

If the registration request is completed immediately, a popup message will provide feedback on the registration outcome. However, if additional time is required for SARS to process the registration request, a message will be displayed to advise that the results will be made available after 24 hours.

With the introduction of the new Notification Centre, the employer can easily identify which companies have pending ITREG requests. These will be shown with a '**Pending Regs**' indicator together with the count of pending items.

To obtain your results for pending ITREG (individual or bundled) requests:

### **Step 1**

Select the company with pending ITREG requests in the Notification Centre. You will receive a confirmation message that the selected company has been made the active employer.

### ***Step 2***

Click **Synchronise Application** and select either **All** or **Income Tax Registration** option.

Click **Sync**, and you will be requested to provide your eFiling login details.

If results for pending ITREG registration requests are available:

- An alert pop-up message will be received in the bottom right hand corner to confirm the results have been received
- The results will automatically update the Employee records in the attached company database.

### ***Step 3***

To view your ITREG results, select **View/ Edit Employees**

### ***Step 4***

Select the company from the dropdown box and click **IT Bundled Reg.**

The registration status for each employee will be displayed. Where an Income Tax reference number has been provided, this can be obtained by viewing the employee record.

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## **Penalties for non-compliance**

Employers have a legal obligation to submit a fully reconciled, accurate and complete Employer Reconciliation Declaration (EMP501) to SARS by the due date (in this case 31 May 2012).

In terms of paragraph 14(6) of the Fourth Schedule to the Income Tax Act No.58 of 1962, employers who fail to submit a fully reconciled, accurate and complete EMP501 to SARS by the due date specified by the Commissioner are liable for the imposition of a penalty.

The penalty is imposed at 10% of the total amount of Employees' Tax in respect of the period relating to the outstanding EMP501. This penalty will be payable over 10 months and proportionally reduced over this period, depending on when your obligation is met.

While most employers generally comply with this obligation to submit declarations on time, there are a minority who do not meet this obligation and have been levied with penalties for their non-compliance.

If you are an employer who has received such a penalty notice for non-compliance, the following information will be very useful.

### **How to correct your non-compliance**

#### **1. Outstanding or Incomplete Reconciliation**

The first thing you need to do is to submit the outstanding reconciliation, or an amended reconciliation where the initial reconciliation is regarded as incomplete or inaccurate. This will limit your penalty liability as further instalments will not be payable. You can submit your outstanding or amended reconciliation by using:

- Online using SARS e@syFile™ Employer
- Submitting a disk at the SARS branch which must contain an encrypted file created by the e@syFile™ Employer software
- By handing in the forms and other documents over the counter at a local SARS branch
- By placing the forms and documents in a SARS drop box, or by post.

**Note:** The original Employer reconciliation forms that were posted to you by SARS must be submitted, as these forms contain a unique printed barcode for purposes of capturing and storing data. No copies or self-printed forms will be accepted.

## **2. EMP501 fails to reconcile**

Where your reconciliation submission fails to balance across the three elements [EMP201, payments submitted and IRP5/IT3(a)s], the PAYE Reconciliation Assistant is available to assist in correcting your PAYE tax affairs and balancing your reconciliation submission.

For more information on the PAYE Reconciliation Assistant, visit the SARS website [www.sars.gov.za](http://www.sars.gov.za) and go to the PAYE for Employers webpage, call the SARS Contact Centre on 0800 00 SARS (7277), or visit your nearest SARS branch.

## **Making payments to SARS**

What you need to do is to pay the penalty amount(s) by the due date. These amounts are reflected in the penalty statement of account. Paying the penalties will prevent SARS from instituting debt collection mechanisms including deducting outstanding penalties from your bank account which SARS is empowered to do in terms of section 99 of the Income Tax Act No.58 of 1962. The following payment methods are available to you:

- Via SARS eFiling ([www.sarsefiling .co.za](http://www.sarsefiling.co.za))
- Via SARS e@syFile™ Employer
- Electronically using internet banking (EFT – electronic fund transfer)
- At a branch of one of the following banking institutions: ABSA, FNB, Nedbank or Standard Bank
- At a SARS branch – cheque payments may not exceed the total amount of R100 000.

Please use the full name “South African Revenue Service” and not the abbreviation “SARS” when making cheque payments.

### **Challenging your penalty**

Employers may have valid reasons why a penalty should not have been imposed. If this applies to you, apply for remission of penalties by completing a Request for Remission (RFR1) available on SARS eFiling, SARS e@syFile™ Employer, at any SARS branch or from the SARS Contact Centre.

Make sure that you provide sufficient information as to why the penalty should not have been imposed. If the information provided by you shows that you had valid reasons for not submitting a complete and accurate reconciliation by the due date SARS may waive the penalties imposed.

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## How to deal with an agent appointment

Following the introduction of administrative penalties for non-compliance with regard to Income Tax for individuals, most taxpayers have corrected their non-compliance and paid the penalty amount that they were levied.

However, there are taxpayers who have still not acted on the communication sent to them by SARS (via SMS, e-mail, post, telephone calls etc) on numerous occasions. To deal with such situations, SARS is allowed by law to appoint employers as agents to collect any outstanding administrative penalties due to SARS from non-compliant taxpayers.

This is done via the ITA88 Agent Appointment notice which is issued to employers via e@syFile™ Employer or per post.

On receipt of the ITA88 Agent Appointment notice, you must do the following as an employer:

- Review the list of impacted taxpayers in your employ
- Assess the realistic amount to be deducted from the taxpayer's salary or wages and stipulate the amount to be deducted
- Deduct the stipulated amount from the salary or wages of the respective employees, as indicated on the Agent Appointment notice
- Pay the amount(s) over to SARS by the due date, as indicated on the Agent Appointment notice
- Use the payment reference number (PRN) for each employee/taxpayer reflected on the statement when making payment. Payments can be made over the counter or electronically via ABSA, Standard Bank, Nedbank or First National Bank. Please use the full name "South African Revenue Service" and not the abbreviation "SARS" when making cheque payments.

Where the financial circumstances of an employee do not warrant the full deduction from his or her salary or wages, you may request monthly installments over a period determined by SARS. This is how to do it:

- On e@syFile™ Employer, select the taxpayer from the list displayed or use the search function to locate a specific taxpayer
- Select the “Taxpayer Affordability – Short term affordability” option from the drop-down list to request a three to six-month payment schedule from SARS
- Update the status for the taxpayer by assigning the three to six-month payment schedule to him or her
- Indicate that the taxpayer will not be able to afford the full amount requested
- You will then be permitted to reject the ITA88 appointment
- All active ITA88 transactions against that specific taxpayer will be cancelled and replaced by a new ITA88 transaction allowing three equal monthly instalments
- Should a payment schedule for longer than six months be required, advise the employee to request a deferment arrangement from SARS

**IMPORTANT:** Employers should advise the affected employee to visit a SARS branch to remedy his or her non-compliance (for example by submitting the outstanding return for which the penalty was levied). This is important because the payment of the penalty by itself (by means of the agent appointment) will not remedy the non-compliance.

Should you need assistance with the agent appointment process contact the SARS Contact Centre on 0800 00 SARS (7277) or visit a SARS branch where an SARS consultant will assist you to capture the outcomes in relation to the taxpayers listed on the ITA88 Agent Appointment notice. Please have your company registration number and PAYE tax reference number available.

Helpful documents can be accessed via [www.sars.gov.za](http://www.sars.gov.za)>Tax Types>Income Tax>Penalties for further information on Agent Appointment and Penalties.

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