



South African Revenue Service

Dear Stakeholder

AUGUST 2020 EMPLOYER INTERIM RECONCILIATION SUBMISSION: 14 SEPTEMBER TO 31 OCTOBER 2020

This year, the August 2020 (202008) Employer Interim Reconciliation submission period will commence on 14 September and end on 31 October 2020.

During the Employer Interim Reconciliation, employers need to reconcile their Monthly Employer Declarations (EMP201) for the first six months of a Reconciliation Year (March to August) with the tax values of the interim IRP5/IT3(a) certificates for the same period and submit their Employer Reconciliation Declaration (EMP501).

SARS is constantly enhancing its online offering to make it easy and simple for employers to comply with their payroll tax obligations. For clarity and certainty, we introduced the following changes.

New source codes for the 2021 Year of Assessment

The following new source codes are applicable for the 2021 Year of Assessment:

- Income code 3618/3668: Fund Administrators must use these codes to declare regular pension or purchased annuity payments originating from provident or provident preservation funds.
The following income codes differentiate between pension or purchased annuity payments originating from the following sources respectively:
 - 3603/3653 – pension or purchased annuity payments originating from pension or pension preservation funds,
 - 3618/3668 – pension or purchased annuity payments originating from provident or provident preservation funds,
 - 3610/3660 – pension or purchased annuity payments originating from retirement annuity funds, and
 - 3611/3661 – taxable portion of a purchased annuity paid by long-term insurers not from a retirement fund.
- Income code 3724: Employers must use this code to declare any payment received by their employees from a COVID-19 Disaster Relief Organisation. These payments do NOT include payments received from the Unemployment Insurance Fund (UIF) Temporary Employees Relief Scheme (TERS).
 - Payments from the UIF TERS are exempt from tax and must not be reflected on the IRP5/IT3(a) certificate issue by employers to their employees.
- Deduction code 4055: Employers must use this source code to declare any donations made by employers on behalf of employees to the COVID-19 Solidarity Fund.
 - Donations made to other qualifying COVID-19 Disaster Relief Organisations must be declared under existing deduction code 4030.
- Information code 4587: Employers must use this code to indicate the value of the section 10(1)(o)(ii) foreign remuneration exemption taken into account for calculating PAYE.

Excessive Liability Change Workflow

SARS have found that some employers do not capture the correct PAYE liability on the monthly EMP201 returns. The incorrect calculation of the monthly PAYE liability may result in imposition of penalties and interest. This includes corrections done on the EMP501 reconciliation and any shortfall is attributed to the last month of the reconciliation period.

As from the 2019 Year of Assessment, SARS is comparing the PAYE liabilities captured on the EMP501 with the PAYE liabilities declared in the EMP201 returns and processed in the accounts for the relevant months. If the liabilities captured on the EMP501 is significantly reduced, SARS will inform the employer of the said excessive liability changes per letter. SARS will request the employer to amend its EMP501 submission. If the employer chooses not to amend the EMP501 submission, SARS will route the EMP501 for manual intervention. SARS will determine if the changes are correct based on the reason provided by the employer. If the employer did not provide sufficient motivation, SARS will engage with the employer to resolve the issue.

Employment Tax Validation

The Employer Reconciliation process is a crucial first step in the wider income tax reconciliation process enabling SARS to issue individuals with their personal income tax return prepopulated with payroll data. This, together with information from other providers of third party information, makes it easier for individuals to fulfil their income tax obligations.

Therefore, it is important that the information contained in IRP5/IT3(a) certificates is correct. SARS will validate the employment tax liabilities declared on the IRP5/IT3(a) certificates and if inconsistencies have been identified, notify employers per letter on eFiling or e@syFile™.

New Notice of Non-Compliance Penalty Assessment

From the end of September 2020, a monthly Notice of Non-Compliance Penalty Assessment will be issued to employers showing all the imposition of penalties on the account for that specific month.

e@syFile™ changes

- **Enhanced resubmission function**
When a resubmission of an EMP501 reconciliation is done, e@syFile™ will include all IRP5/IT3(a) certificates instead of only the amended certificates.
- **Time-out issue resolved**
The time required to download the e@syFile™ Employer varies due to network and PC configurations. In some instances, employers get a time-out notification while the download is running and they have to login again. To address this, SARS had introduced a pop-up message to advise the user that he/she cannot use e@syFile™ functions while downloading the new version.
- **Summary report**
SARS will provide a summary report to employers with big payroll systems or use e@syFile™ to merge data from multiple payroll systems to verify the certificates included in a reconciliation submission. This function will be available under the EMP501 Reconciliation and will allow employers to extract a pipe delimited file for a specific period of reconciliation.

Compliance is encouraged

We thank all employers who heeded the call for compliance and successfully submitted their annual reconciliations during April/May 2020. By submitting the interim Employer Reconciliation Declaration (EMP501) for the period 1 March 2020 to 31 August 2020, you are paving the way for the submission of the annual EMP501. Any issues that may arise may be addressed timely. We encourage employers to comply and meet all their tax obligations. For information and clarity, please contact SARS through the various online channels at www.sars.gov.za > Contact Us.

Sincerely

THE SOUTH AFRICAN REVENUE SERVICE

September 2020