

EXTERNAL GUIDE

GUIDE FOR VALIDATION RULES APPLICABLE TO RECONCILIATION DECLARATIONS 2021

REVISION HISTORY TABLE

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1 PURPOSE

- This guide in its design, development, implementation and review phases is guided and underpinned by the SARS strategic objectives, the SARS Intent and the SARS values, code of conduct and the applicable legislation. Should any aspect of this guide conflict with the applicable legislation, the applicable legislation will take precedence.
- The purpose of this guide is to assist employers in understanding the validation rules for completion of Employees' Income Tax certificates for 2021.

2 SCOPE

- This guide prescribes validation rules applicable to:
 - Data (employee tax certificate information) included in CSV files; and
 - Fields on employees' tax certificates which are manually completed.
- Refer to PAYE-AE-06-G06 – Guide for Codes Applicable to Employees Tax Certificates 2021 for validation rules relating to a specific income or deduction code for 2021.
- Pre-printed blank forms will no longer be issued at branches.
- For more information visit the SARS website www.sars.gov.za > Types of Tax > PAYE > BRS – PAYE Employer Reconciliation for 2020 / 2021.

3 BACKGROUND

3.1 RECONCILIATION PROCESS

- EMP501 Reconciliation process (Employees' Income Tax certificates submitted to SARS from 1 March 2020).
 - Changes to the specifications for employees' tax certificates and reconciliation processes have been introduced (e.g. additional fields on various reconciliation documents, etc.);
 - The employer demographic information no longer forms part of the certificate as the "Certificate Number" now contains the PAYE reference number of the employer, which links the employer demographic information to the employee;
 - All validation rules in respect of submissions after February 2012, have been re-instated;
 - With the introduction of this process, the CSV file layout and validation rules were standardised to ensure that all CSV files (irrespective of the transaction year of the file) comply with the same validation rules.
- When the EMP501 reconciliation is submitted, the employer's compliance status will be verified. If the employer is deemed non-compliant, a letter notifying the employer to rectify the non-compliance will be issued.

3.2 INTERIM RECONCILIATION PROCESS

- An interim reconciliation process has been introduced in respect of reconciliation submissions after the February 2010 submission.
- The interim reconciliation process became effective in August 2010 for reconciliation declarations of 2011 and later transaction years.
- Employees' tax certificates relating to interim reconciliation declarations:

- The employees' tax certificate may only be issued to an employee where the employer:
 - Has ceased to be an employer in relation to the employee concerned (e.g. death, retirement, resignation or immigration of the employee); and
 - Has ceased to be an employer (e.g. the employer stopped trading).
- The employer must reflect Employees' tax deducted from the employee's remuneration under code 4102 (PAYE).

Note 1: It will be accepted in cases where the employer's payroll program does the split programmatically.

Note 2: The legal requirements will apply if the employer ceased to be an employer or the employee dies, retires, resigns or immigrates before the closing of the interim period (e.g. 31 August). A final tax calculation at the end of the Employees' tax period must be done and the certificate must be issued as a final tax certificate with a calendar month indication of "02" in the certificate number.

- **Reconciliation declarations in respect of the interim submissions:**

- The actual liability per month for the first 6 months of the tax year (i.e from March to August) must be completed on the declaration.

- **Submission of reconciliation documents:**

- The employer reconciles his monthly submission bi-annually at the end of August and February. The six monthly submissions of EMP201 declarations are consolidated into a reconciliation using the EMP501.
- The reconciliation documents must be submitted via one of the following available channels:
 - e@syFile,
 - eFiling (WPAYE) and,
 - Service Manager (walk-in clients) -
 - Work Flow (WPAYE).

Note 3: No CSV files will be accepted by SARS. CSV files must be imported into e@syFile™. Employers who use the e@syFile™ software must also capture all their manual certificates by using the application.

Note 4: SARS will only accept an EMP701 for adjustments between the years 1999 -2008. From 2009 going forward, adjustments for reconciliation submissions must be made by resubmitting a modified EMP501.

- **Employment Tax Incentive (ETI)**

- The employer must –
 - Identify all qualifying employees in respect of that specific month, refer to PAYE-GEN-01-G05 – Guide for Employers in respect of Employment Tax Incentive – External Guide.
 - Determine the applicable employment period for each qualifying employee;
 - Determine each employee's "monthly remuneration";
 - Calculate the employment tax incentive amount per qualifying employee; and
 - Reduce the amount of PAYE payable by the amount of ETI utilised on the EMP201 declaration.

Note 5: If the monthly calculated ETI amount claimed exceeds the gross employees' tax (before ETI) for a specific month, the excess ETI will be carried forward to the next month. The ETI amount claimed will only be allowed to the extent that the "Nett PAYE" is equal to zero.

Note 6: The excess ETI carry forward amount shall be refunded to the employer at the end of each reconciliation period (August and February). Employers can only claim ETI from 2014 year of assessment.

- Any employee who renders services inside a special economic zone (SEZ) to an employer that is operating inside SEZ as listed below, will qualify for ETI.
- The Minister of Finance has identified the following six as SEZs:

CODE	DESCRIPTION
COE	COEGA SEZ
DTP	DUBE TRADE PORT SEZ
EAL	EAST LONDON SEZ
MAP	MALUTI-A-PHOFUNG SEZ
SLB	SALDANHA BAY SEZ
RIB	RICHARDS BAY SEZ

3.3 GENERAL RULES

- Tax certificates issued by employers to employees for their personal use may contain additional information, provided that the information required according to the validation rules is included and that the information for the relevant field is valid.
- Tax certificates submitted to SARS must be in the **CSV files:**
 - The record structure of CSV files is as follows:
 - Employer header record;
 - Employer and financial information records for all tax certificates (including Employment Tax Incentive (ETI) information); and
 - Employer totals trailer record.
 - Each CSV file may only contain tax certificate information for a single employer (no multiple employer records will be accepted if it is contained in a CSV file).
 - The CSV file format should start with the code, followed by the data for the relevant code, followed by the next code, etc. for example: Code,data,code,data,code,data,code,data,9999
 - The first code of the record may not be preceded by any character (e.g. space, comma, etc.);
 - The last code of the record must be 9999 and may not be followed by any character (e.g. space, comma, etc.).
 - All Alpha, Alphanumeric and Free Text fields must be contained in opening and closing quotation marks (e.g. the surname Horn must be shown as 3020,"Horn").

- Tax certificates submitted via **eFiling**:
 - The employer can submit only a maximum of 50 certificates.
 - A tax certificate file can be generated from the payroll system and be imported into eFiling.
 - Any capturing or amendments to the certificate can be done via eFiling as long as the total number of certificates does not exceed 50.

- Tax certificates submitted via **walk-in**
 - The manual capturing of the certificate can be done at the branch (walk-in) as long as the total number of certificates does not exceed 50.

- The reconciliation and submission of the EMP501 return and tax certificates to SARS must be done within the dates announced by the Minister in the government gazette. Failure to comply within the prescribed dates may lead to penalties and interest imposed.

- **Employees' Income Tax certificates:**
 - The certificate must consist of the following:
 - The employee's personal information and the employee's financial information.
 - Employment Tax Incentive (ETI) information pertaining to the employee, if any.
 - The tax certificate number must be unique per employer:
 - The same certificate number may not be used more than once by an employer; and
 - May not be duplicated in either the current, past or future years of assessments by the employer.
 - Income source codes are restricted to a maximum of 20 and the deduction codes are restricted to a maximum of 12.
 - Local and foreign income source codes may be completed on the same certificate for a specific employee.
 - At least one income source code with a value greater than zero must be completed. However, if it is a director of a private company or a member of a close corporation where the remuneration cannot be determined at the end of the tax period, the source code 3601/3651 may be reported with a zero value with effect from 2019 year of assessment.
 - No negative values are accepted.
 - Cents of all amounts must be dropped off/omitted (rounded down), except for the fields containing the tax, SDL and UIF amounts where the cents must be specified even if it is zero.
 - The following codes may only appear once on a certificate:
 - All the employer information codes,
 - All the employee information codes, excluding code 3230, and
 - All Tax Certificate Information codes representing financial information excluding the following codes:
 - Income received codes: 3601 to 3924 and 3651 to 3957
 - Deduction/Contribution codes: 4001 to 4055, and
 - Employment Tax Incentive Information codes: 7002 to 7005, 7007, 7008 and 7009.
 - Code 3230 (directive number) may appear up to three times on a certificate.
 - All income and deduction fields that have a zero value must **not** be reported except if specified otherwise in the validation rules.
 - All cents for Rands must be dropped off with the exception of the following –
 - 4101, 4102,
 - 4115, 4116, 4118
 - 4120
 - 4141, 4142, 4149,
 - 6030, 7002, 7003, 7004 and 7008.
 where the Rand value including the cents must be specified (even if it is zero).

4 EMPLOYMENT TAX INCENTIVE (ETI)

- The monthly ETI data must be added to the end of the tax certificate information for every employee which qualifies for ETI. Information in respect of ETI for every month must be reported in the reconciliation statement for that specific period.
- ETI information for bi-annual reconciliation (6 months, March to August) and for final reconciliation (12 months , March to February) must be reported in the following manner -
 - If the employee does not qualify for ETI, the Employment Tax Incentive indicator will be “N” and ETI fields must NOT be completed.
 - If the employee qualifies for ETI for one or more months, the Employment Tax Incentive indicator will be “Y” and ETI codes and values must be completed for all the months as per validation rules for each code.

Note: No ETI related fields must be printed on the IRP5 certificate that is issued to the employee.

5 ERROR REPORTS

- An error report will be provided by eFiling and e@syFile™ when uploading a CSV file on the software. This error report will indicate all the errors that were found when the data of the file was validated.
- **Error messages:** The file will be rejected if any error message is displayed. An error message indicates to an employer that the data for the relevant field does not comply with the validation rule and must be corrected before the submission can be accepted by SARS.

6 2021 VALIDATION RULES

- The validations rules to fields only applicable on CSV files will be specifically indicated. Fields not specifically indicated apply to both the field on the CSV file as well as the field on the Employees' Income Tax certificate.
- 2021 Validation Rules are applied to the following -
 - Employer Information;
 - Employee Information;
 - Employee Bank Account Details;
 - Employee Remuneration Information;
 - Employment Tax Incentive Information; and
 - Employer Trailor Record.
- The above information is available on the SARS website www.sars.gov.za> Types of Tax > PAYE > BRS – PAYE Employer Reconciliation for 2020 / 2021.

7 CROSS REFERENCES

DOCUMENT #	DOCUMENT TITLE
PAYE-AE-06-G06	Guide for codes applicable to Employees' Tax certificates 2021
PAYE-AE-06-G08	Guide for completion and submission of Employees' Tax certificates 2021
PAYE-GEN-01-G05	Guide for Employers in respect of Employment Tax Incentive

8 DEFINITIONS AND ACRONYMS

Alpha field	<ul style="list-style-type: none"> • An alpha field will include: <ul style="list-style-type: none"> ▫ Alphabet A until Z ▫ Upper Case and Lower Case ▫ Dash (-) ▫ Space () ▫ Apostrophe (') ▫ Characters such as ê, ë etc.
Alphanumeric field	<ul style="list-style-type: none"> • An alphanumeric field will include: <ul style="list-style-type: none"> ▫ Any alphabetic letters (i.e. A to Z) in upper or lower case; ▫ Dash (-) ▫ Space () ▫ Apostrophe (') ▫ Alphabetical characters such as ê, ë, etc. ▫ Numbers 0 to 9
Alternate period	<ul style="list-style-type: none"> • A period, whether of 12 months or not, commencing on the day following last day of preceding alternate period in relation to the employer and ending on a date falling not more than 14 days before or after the last day of February
Certificate type	<ul style="list-style-type: none"> • Type of certificates for which tax is to be levied. Types of certificates include: <ul style="list-style-type: none"> ▫ IRP5 ▫ IT3(a) <p>Note: Additional certificate types may be added at a later stage.</p>
Commissioner	<ul style="list-style-type: none"> • The Commissioner for the South African Revenue Service
Conditional fields	<ul style="list-style-type: none"> • Fields that must be completed subject to defined conditions, e.g. mandatory if related fields have been completed
CSV file	<ul style="list-style-type: none"> • Comma Separated Value file
e@syFile™	<ul style="list-style-type: none"> • Package supplied by SARS which has functionality to create reconciliation documents in prescribed formats and produced an electronic file in ZipCentralFile format submission purposes
EMP701	<ul style="list-style-type: none"> • Reconciliation adjustment declaration form • Use EMP701 with EMP601 with 8 digit certificate numbers to adjust reconciliation submissions for 1999 – 2008 transaction years. • EMP701 is not applicable for transaction years 2009 onwards.
Employee	<ul style="list-style-type: none"> • Employee for Employees' Tax purposes is defines as, a: <ul style="list-style-type: none"> ▫ Natural person who receives remuneration or to whom remuneration accrues; ▫ Person (including a company) who receives remuneration or to whom remuneration accrues by reason of services rendered by such person to or on behalf of a labour broker; ▫ Labour broker; ▫ Person or class or category of persons whom the Minister of Finance by notice in the Government Gazette declares to be an employee; ▫ Personal service provider; ▫ Director of a private company. • Employee for UIF purposes is defines as any natural person who receives any remuneration or to whom remuneration accrues in respect of services rendered or to rendered by that person, excluding an independent contractor • Employee for taxable benefit purposes is defined as any person who receives remuneration or to whom remuneration accrues and includes any director of a company but excludes persons who retired before 1 March 1992 except for purposes of provisions which deal with payment of an employee's debt or the release of an employee from an obligation to pay a debt
Employee Income Tax	<ul style="list-style-type: none"> • Certificate in form prescribed by Commissioner which shows remuneration

certificates	<p>paid or payable to employee/former employee by employer and sum of amounts of Employees' Tax deducted or withheld by employer from such remuneration.</p> <ul style="list-style-type: none"> • The Employees' Income Tax certificate format is prescribed on the: <ul style="list-style-type: none"> ▫ 1999 to 2007 format: IRP5 and IT3(a); and ▫ From 2008 format: IRP5/IT3 (a).
Employees' Tax	<ul style="list-style-type: none"> • Means the tax required to be deducted or withheld by an employer in terms of paragraph 2 of the 4th Schedule from remuneration paid or payable to an employee.
Employer	<ul style="list-style-type: none"> • Any person who pays or is liable to pay a person an amount by way of remuneration including a person responsible for the payment of an amount by way of remuneration to a person under the provisions of a law or out of public funds or out of funds voted by parliament or Provincial Council. This definition excludes any person not acting as a principle but includes any person acting in a fiduciary capacity or in his/her capacity as trustee in an insolvent estate, an executor or an administrator of a benefit fund, pension fund, pension preservation fund, provident fund, provident preservation fund, retirement annuity fund or any other fund.
ETI	<ul style="list-style-type: none"> • Employment Tax Incentive
Foreign Bank Account	<ul style="list-style-type: none"> • Bank Account with a financial institution not recognised by BANKSERV (refer to www.bankservafrica.com)
Free text field	<ul style="list-style-type: none"> • A free text field may include the following: <ul style="list-style-type: none"> ▫ Alphabet A until Z ▫ Upper and Lower Case Characters ▫ Number 0 to 9 ▫ Dash (-) ▫ Space () ▫ Inverted Commas (""") ▫ Back slash(\) ▫ Forward slash (/) ▫ Question Mark (?) ▫ At sign (@) ▫ Ampersand (&) ▫ Dollar sign (\$) ▫ Exclamation Mark (!) ▫ Hash (#) ▫ Plus (+) ▫ Equals (=) ▫ Semi colon (;) ▫ Colon (:) ▫ Apostrophe (') ▫ Left and Right Brackets (()) ▫ Full Stop (.) ▫ Characters such as ê, ë etc. ▫ All special characters are allowed, however for XML development purposes the following standard must be adhered to: ISO-8859-1 encoding or informally referred to as Latin-1. The definition of this standard can be found on: http://en.wikipedia.org/wiki/ISO/IEC_8859-1
ID-number	<ul style="list-style-type: none"> • The 13 digit identity number indicated in the green bar-coded identity document issued in accordance with the Identification Act, No. 72 of 1986
Interim reconciliation process	<ul style="list-style-type: none"> • An administrative process at a specific point in time which is not subject to the same legal requirements (e.g. issuing an Employee Tax certificate to an employee, etc.) as those for the end of the Employer's Tax period or the end of the tax year.

IRP5	<ul style="list-style-type: none"> • An Employees' Income Tax certificate where Employees' Tax deducted or withheld are indicated
IT3(a)	<ul style="list-style-type: none"> • An Employees' Income Tax certificate where no Employees' Tax was deducted or withheld and a reason for the non-deduction are indicated.
Liabilities	<ul style="list-style-type: none"> • The amount of Employees' Tax, SDL and UIF which an employer is obliged to deduct, withhold and/or contribute in terms of the provision of the 4th Schedule, SDL Act and UIF Act
Mandatory fields	<ul style="list-style-type: none"> • Fields that must be completed as a rule, permitting no option and cannot be disregarded
Manual employer	<ul style="list-style-type: none"> • Employer completing an EMP 501 reconciliation and Employee Income Tax certificates manually and do not create the relevant information with a PC which has the e@syFileTM installed
Nature of Person	<ul style="list-style-type: none"> • Mandatory field • Nature of person includes: <ul style="list-style-type: none"> ▫ A = Individual with an identity or passport number that is not <ul style="list-style-type: none"> ○ a director of a company, ○ member of close corporation, ○ asylum seeker, ○ pensioner or ○ refugee; ▫ B = Individual without an identity or passport number that is not <ul style="list-style-type: none"> ○ a director of a company, ○ member of close corporation, ○ asylum seeker, ○ pensioner or ○ refugee; ▫ C = Director of a private company / member of a CC; ▫ D = Trust; ▫ E = Company / CC; ▫ F = Partnership ▫ G = Corporation; ▫ H = Personal Service Provider; ▫ M = Asylum Seekers ▫ N = Retirement Fund Lump Sum Recipient/Pensioner ▫ R = Refugee.
Numeric field	<ul style="list-style-type: none"> • Numbers from 0 to 9
Optional fields	<ul style="list-style-type: none"> • Fields that can be completed based on applicability and availability. These fields are not mandatory fields
PAYE	<ul style="list-style-type: none"> • Pay-As-You-Earn (Employees' Tax)
Payroll employer	<ul style="list-style-type: none"> • Employer who creates a CSV file from electronic payroll information
PSV File	<ul style="list-style-type: none"> • Pipe separated value
Reconciliation declaration	<ul style="list-style-type: none"> • Is the EMP501 document on which an employer's PAYE, SDL and UIF liabilities are declared with associated payments, certificate values and the resulting net effect of setting off payments against liabilities
Reconciliation submission process	<ul style="list-style-type: none"> • Process through which an employer submits all required PAYE, SDL and UIF documentation to SARS for processing i.e. IRP5/IT3(a), EMP501, EMP601 and an EMP701 if applicable.
SARS	<ul style="list-style-type: none"> • The South African Revenue Service
SARS' website	<ul style="list-style-type: none"> • The website can be accessed on the following address: www.sars.gov.za
SEZ	<ul style="list-style-type: none"> • Special Economic Zones which are approved by the Minister of Finance for the purposes of section 6(a)(ii) of the Employment Tax Incentive Act, 2013 (Act No. 26 of 2013) which allows eligible employers to claim ETI for qualifying employees, regardless of age.
SIC7	<ul style="list-style-type: none"> • Standard Industrial Classification (SIC Coder v7, as defined on the Statistics

	South Africa Website: www.statssa.gov.za)
Taxpayer	<ul style="list-style-type: none"> • In terms of the Tax Administration Act No. 28 of 2011, taxpayer means, a: <ul style="list-style-type: none"> ▫ Person chargeable to tax; ▫ Representative taxpayer; ▫ Withholding agent; ▫ Responsible third party; or ▫ Person who is the subject of a request to provide assistance under an international tax agreement
Transaction year	<ul style="list-style-type: none"> • The tax year during which the employer deducted and paid employees' tax in respect of remuneration paid or payable to an employee. This could include employees' tax on remuneration which accrued during a previous tax year. • The Transaction year may only be a year subsequent to the 'Year of Assessment' in the case of 'Variable Remuneration' as defined in section 7B and other exceptional circumstances.
UIF contributions	<ul style="list-style-type: none"> • Contributions to the UIF are the compulsory contributions payable in terms of the UIC Act to fund the benefits available to workers in terms of the UI Act. Effective 1 April 2002, contributions collected by SARS are transferred to the UIF which is administered by the UI Commissioner.
XML	<ul style="list-style-type: none"> • Extensive Mark-up Language
Year of assessment	<ul style="list-style-type: none"> • The year of assessment in which the remuneration paid or payable to the employee accrued

9 QUALITY RECORDS

Number	Title
IRP5/IT3(a)	Employee Tax Certificate
EMP201	Monthly Employer Declaration
EMP501	Employer Reconciliation Declaration
EMP601	Certificate Cancellation Declaration

DISCLAIMER

The information contained in this guide is intended as guidance only and is not considered to be a legal reference, nor is it a binding ruling. The information does not take the place of legislation and readers who are in doubt regarding any aspect of the information displayed in the guide should refer to the relevant legislation, or seek a formal opinion from a suitably qualified individual.

For more information about the contents of this publication you may:

- Visit the SARS website at www.sars.gov.za
- Visit your nearest SARS branch
- Contact your own tax advisor/tax practitioner
- If calling from within South Africa, contact the SARS Contact Centre on 0800 00 SARS (7277)
- If calling from outside South Africa, contact the SARS Contact Centre on +27 11 602 2093 (only between 8am and 4pm South African time).