

E-BOOK

# Quick Start Guide to Payroll Tax Year-End

*Best practices for preparing,  
processing, and planning  
year-end payroll activity*



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# Introduction

## *Payroll Tax Year-End 2020/2021*

Is your organisation ready?

We understand your day-to-day challenges; which is why we want to try and make your business life easier. We've prepared this guide to help you work more efficiently, giving you more time to do what you do best – run, manage and grow your business.

Remember that all companies are required to submit their annual employer reconciliation returns to the South African Revenue Services (SARS) generally within 60 days from the start of the Employer Tax Filing season – unless otherwise specified by the Commissioner.

However, we know that the deadline can easily be met with the right support. This guide is a checklist of factors you need to consider and carry through – broken down into three phases: preparing for tax year-end, processing tax year-end, and preparing for next year.



# Phase 1

## Preparing for Tax Year-End

Preparing for and processing your Tax Year-End doesn't have to be the dreaded task so many businesses and individuals make it out to be. To help you get on top of your Tax Year-End before it gets on top of you, we've put together a few steps to follow that will guide you to success!

First things first – and that's preparing for your Tax Year-End. *Let's do this!*

### Step 1

Verify the following:

- PAYE Registration Number
- UIF Reference Number
- SDL Reference Number
- Validate your Company Information

### Step 2

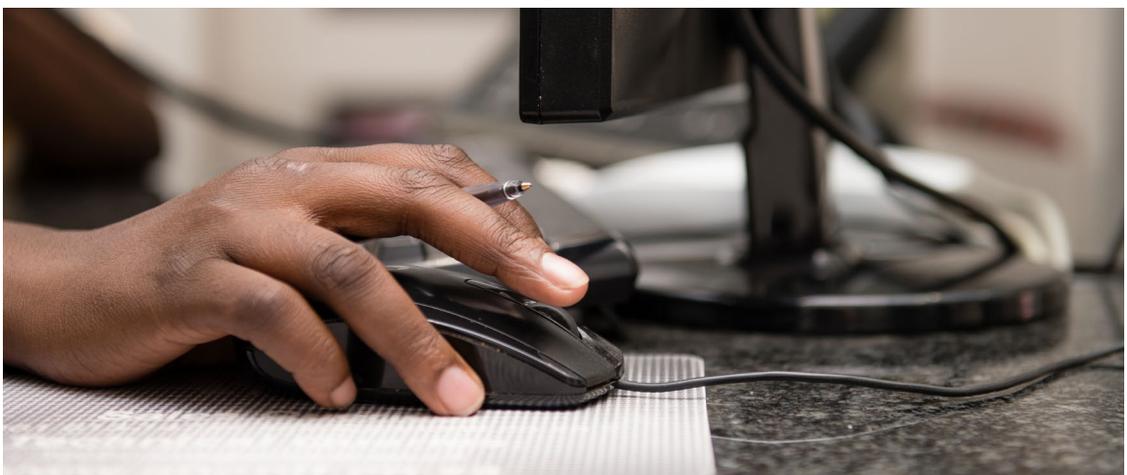
Verify your employees' information. Check the correctness of the following:

- Names, ID/Passport Numbers
- Bank Account Numbers
- Income Tax Reference Numbers
- Address and Telephone Numbers
- Directive Numbers

### Step 3

Check remuneration data:

- Verify your employees' earnings, deductions and employer contributions and ensure it was processed against the correct IRP5 code (see codes in appendix)
- Ensure that the Medical Aid Dependents were reflected correctly for each month in the Tax-Year using the monthly Medical Aid billing statement



# Phase 2

## Processing Your Tax Year-End

Once all the preparation has been completed, it's time to get down to the nitty-gritty of it all, and that's processing your Tax Year-End. Here we've broken down your next mission in a few simple steps for you to follow.

### Step 1

Reconcile your PAYE, UIF, SDL and ETI values.

### Step 2

Once you've reconciled, create the CSV file from your payroll and import it into e@syFile Employer.

*The following steps need to be completed in e@syFile – if you need assistance with any of the below steps, contact the SARS Support Desk.*

1. Verify employer information on e@syFile Employer.
2. Capture all manual tax certificates on e@syFile Employer.
3. Complete the EMP501 Reconciliation Declaration on e@syFile Employer.
4. Submit the electronic information to SARS via eFiling.
5. Back up your submission data – both in your payroll system as well as on e@syFile Employer.
6. Ensure the SARS employer statement of account (EMPSA) correctly reflects your final declared and paid amounts.



# Phase 3

## *Prepping for Tax-Year 2021/2022*

Now that 2020/2021 is comfortably behind you, what can you do to ensure that 2021/2022 will be your easiest and worry-free Tax-Year yet? Follow these simple steps and get the year off to an organised, fast start!

### **Key Dates and Reminders**

<b>28/29 February</b>	The last day of the Tax-Year.
<b>1 March</b>	New Tax-Year starts.
<b>31 May</b>	Deadline for annual employer reconciliation submission.
<b>31 October</b>	Deadline for the mid-year employer reconciliation submission.

### **Resources**

There are SARS branches in all major regions and online services are also available, where small business owners can get help with a range of small business enquiries, applications and functions, such as:

- new business registration
- assisting small business owners with monthly tax returns, queries and advice
- assistance with eFiling registration (as well as using the various online services)
- tax clearance certificates
- company bank account changes
- business statements of accounts

If you find yourself struggling with tax administration or you need to fill in the blanks when it comes to your deductibles and ensuring your business is tax compliant, visit your nearest SARS branch or online service and give their helpdesk a test drive.

While your business is still growing, and you don't necessarily have the resources to hire a private tax practitioner, the SARS helpdesk may just be your light at the end of the tunnel. Not only will they be able to help you, but in the process, you will be equipped and empowered to handle your small business tax on your own until you can afford an in-house tax and financial administrator.

# Appendix: IRP5 Codes

## Normal Income Codes

3601	Income
3602	Non-taxable income (Excl)
3603	Pension (reinstated from 2012/2013)
3605	Annual payment
3606	Commission
3608	Arbitration award
3610	Annuity from a RAF (reinstated from 2012/2013)
3611	Purchased annuity
3613	Restraint of trade
3614	Other retirement lump sums
3615	Director's remuneration
3616	Independent contractors
3617	Labour brokers without exemption certificate (PAYE/IT)
3618	Annuity from a Provident/Provident Preservation Fund (PAYE)
3619	Labour brokers with exemption certificate (IT)
3620	Resident NED directors fees (IT)
3621	Non-resident NED directors remuneration (PAYE/IT)

## Allowance Codes

3701	Travel allowance
3702	Reimbursive travel allowance (IT)
3703	Reimbursive travel allowance (Excl)
3704	Subsistence allowance – local travel (IT)
3707	Share options exercised (Section 8A)
3708	Public office allowance
3713	Other allowances
3714	Other allowances (Excl)
3715	Subsistence allowance – foreign travel (IT)
3717	Broad-based employee share plan (Section 8B)
3718	Employee equity instruments (Section 8C)
3719	Par (dd) of the proviso to S10(1)(k)(i) dividends
3720	Par (ii) of the proviso to S10(1)(k)(i) dividends
3721	Par (jj) of the proviso to S10(1)(k)(i) dividends
3722	Reimbursive travel allowance exceeding prescribed rate
3723	Par (kk) of the proviso to S10(1)(k)(i) dividends
3724	Amounts paid by any COVID-19 Disaster Relief Organisation but not UIF TERS payments (IT)

# Appendix: IRP5 Codes

## **Fringe Benefit Codes**

3801	General fringe benefits
3802	Right of use of motor vehicle (not operating lease)
3805	Free or cheap accommodation (reinstated from 2012/2013)
3806	Free or cheap services (reinstated from 2012/2013)
3808	Payment of employee's debt (reinstated from 2012/2013)
3809	Taxable bursaries or scholarships – basic education
3810	Company contribution to medical aid
3813	Cost related to medical services paid by company
3815	Non-taxable bursaries or scholarships – basic education
3816	Use of motor vehicle acquired via operating lease
3817	Taxable benefit i.r.o pension fund employer contribution
3820	Taxable bursaries or scholarships – further education
3821	Non-taxable bursaries or scholarships – further education
3822	Non-taxable acquisition of immovable property
3825	Taxable benefit i.r.o provident fund employer contribution
3828	Taxable benefit i.r.o retirement annuity employer contribution
3829	Taxable bursaries or scholarships to a disabled person – further education
3830	Non-taxable bursaries or scholarship to a disabled person – basic education
3831	Taxable bursaries or scholarship to a disabled person – further education
3832	Non-taxable bursaries or scholarships to a disabled person – further education
3833	Taxable benefit: bargaining council employer contributions
3832	Non-taxable loan to purchase immovable residential property

## **Lump Sum Codes**

3901	Gratuities (retirement/retrenchment /death)
3906	Special remuneration (e.g. proto-teams)
3907	Other lump sums (e.g. backdated salaries extended over previous tax-year, non-approved funds)
3908	Exempt Policy Proceeds (Excl)

# Appendix: IRP5 Codes

## **Lump Sum Codes (continued)**

3909	Unclaimed benefits paid by fund
3915	Pension, provident or retirement annuity fund lump sum benefits paid on or after 1 October 2007
3920	Lump sum withdrawal benefits from retirement funds after 28 February 2009
3921	Living annuity and section 15C surplus apportionments accruing after 28 February 2009
3922	Compensation lump sum i.r.o death in the course of employment
3923	Transfer of unclaimed benefits
3924	Transfer of retirement benefit on or after retirement age and before retirement date

## **Gross Remuneration Codes**

3696	Gross non-taxable income
3699	Gross taxable employment income

## **Deduction Codes**

4001	Total pension fund contributions paid or 'deemed paid' by employee
4003	Total provident fund contributions paid or 'deemed paid' by employee
4005	Medical aid contributions paid or 'deemed paid' by employee (including contributions towards a private medical aid)
4006	Total retirement annuity fund contributions paid or 'deemed paid' by employee
4024	Medical services costs deemed paid i.r.o employee and/or immediate family
4030	Donations paid by the employer to the organisation (excluding to the Solidarity Fund)
4055	COVID-19 Solidarity Fund Donations
4472	Employer's pension fund contributions

# Appendix: IRP5 Codes

## Deduction Codes (continued)

4473	Employer's provident fund contributions
4474	Employer's medical aid contributions
4475	Employer's retirement annuity contributions
4493	Employer's medical aid contributions i.r.o. retired employees
4497	Total deductions
4582	Remuneration inclusion used in section 11F deduction (specific codes included)
4583	Remuneration (for foreign services) inclusion used in section 11F deduction (specific codes included)
4584	Employer's bargaining council contributions
4585	Employer's pension fund contributions i.r.o employees who have retired from the fund
4586	Employer's provident fund contributions i.r.o employees who have retired from the fund
4587	Section 10(1)(o)(ii) exemption taken into account by the employer for PAYE purposes

## Employee's Tax Deduction and Reason Codes

4102	PAYE
4115	Tax on retirement lump sum and severance benefits
4116	Medical scheme fees tax credits taken into account for PAYE purposes
4120	Additional medical expenses tax credit taken into account for PAYE purposes
4118	Employment tax incentive
4141	UIF employee and employer contribution
4142	SDL contribution
4149	Total tax, UIF and SDL (excluding 4116 and 4120 value)
4150	Reason code for IT3(a)
	01 – Invalid from March 2002
	02 – Earn less than the tax threshold
	03 – Independent contractor or directors fees for RSA resident NED
	04 – Independent contractor (including nil directive and income protection annuities)
	05 – Exempt foreign employment Income
	06 – Directors remuneration – income determined in the following tax-year
	07 – Labour broker with IRP30
	08 – No Tax to be withheld due to medical scheme fees tax credit allowed
	09 – No withholding of tax on shares possible

*\*These codes listed above were confirmed for the 2020/2021 Tax-Year.*

# Get control of your payroll with Sage HR & Payroll software solutions

Sage HR & Payroll software solutions help you improve efficiency by automating payroll processes and enabling data reporting and analytics.

With stronger insights, you can transform the way you manage and engage with your workforce. Sage helps payroll teams to automate the end-to-end payroll function, whilst giving you the tools you need to be legislatively compliant.

Request a free quotation by visiting [tax.sage.co.za](https://tax.sage.co.za)

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