

# Six things SMEs should know about payroll tax

 By [Yolandi Esterhuizen](#)

9 Sep 2016

Small and medium-sized business owners face reams of red tape in their businesses, but one area that is especially important to master is payroll. Get it wrong, and you could face angry employees who have been underpaid or paid late. Even worse, you could be subject to penalties from SARS for incorrect calculation of statutory contributions such as pay-as-you-earn (PAYE), Skills Development Levy (SDL) and Unemployment Insurance Fund (UIF).



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## 1. Be on time

If you do not submit your EMP201 (monthly declaration of PAYE, UIF and SDL) on time, you will incur a fine from SARS. It is important to ensure that the correct amounts are declared after you have reconciled your payroll. The EMP201 should be submitted and the amounts should be paid on or before the 7th of each month. If the 7th of the month falls on a Saturday, Sunday or public holiday, then the return should be submitted and paid on the last working day before the weekend or public holiday.

## 2. Keep records

Employers need to keep records of all returns that they have submitted, as well as proof of payments for at least five years. Other countries have different rules regarding record keeping which you should be familiar with if you employ individuals in foreign countries.

## 3. Comply with the law

You need to keep up to date with changes in the legislation. Ensure that you have a dependable source who will inform you of any legislation changes affecting your payroll. Also, using a reliable payroll system that will automatically apply changes and inform you of changes in legislation will benefit you. This way, the necessary changes will be enforced without having to spend much time on the detail of the changes.

It is also important to understand how any changes will impact your business's bottom-line and your employees' pockets. For example, if the tax rate rises, you should warn employees that their take-home pay will decrease.

#### 4. **Declare all benefits**

If you provide your employees with benefits such as company cars, bursaries, or even buy them gift vouchers for their birthdays – it should be declared to SARS and therefore be processed on the payroll. Each benefit (subject to certain exceptions), must reflect on the tax certificate of the employee at the end of the tax year.

In some cases, the tax exempt portion of a benefit should also be declared and your payroll should provide for it.

#### 5. **Tax directive for a lump sum benefit**

Remember that an employer paying out a lump sum to an employee as a result of retrenchment, retirement or death, has to apply for a directive in order for SARS to determine the applicable PAYE amount that should be deducted from the particular payment. An IRP3(a) form needs to be completed. If the employer fails to do so, the employee will not receive the applicable tax-free portion, but instead, be taxed on the full amount.

The IRP3(a) form can be found on the SARS website or it can be completed on eFiling. The employer should indicate the amount which will be paid as a lump sum but the amount should exclude leave pay or notice pay.

#### 6. **Don't stress**

A reliable payroll system will ensure that all PAYE, UIF and SDL are calculated on your behalf. Incentives such as the Employment Tax Incentive can also automatically be calculated which can save you time and money.

To learn more about PAYE, UIF and SDL simply download the [Sage Payroll Tax Pocket Guide 2016/17](#).

## ABOUT YOLANDI ESTERHUIZEN

Yolandi Esterhuizen oversees the interpretation and implementation of tax, labour and protection of personal information legislation into Sage's HR and payroll as well as accounting products across Africa and the Middle East. She brings to her role expert knowledge and consulting experience in tax and labour law, including PAYE, Employment Tax Incentive, Employment Equity, Skills Development and Labour Relations.

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