

HOW TO ACHIEVE A SUCCESSFUL TAX YEAR END

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"There are no secrets to success. It is the result of preparation, hard work, and learning from failure."

Colin Powell

We the Payroll, in collaborating with SARS play a critical coalition, which works towards adherence and compliance of tax principles and laws





"You can keep the payroll — I just want the payroll *deductions!*"

AGENDA

- *Prepare For The New Tax Year*
- *Monthly Planning-Best Practice*
- *Annual Planning- Best Practice*

PREPARE FOR THE NEW TAX YEAR

- *After roll over of February tax year end-
arrange tax update/upgrade with new
tax tables released by SARS*
- *Establish a detailed project plan- key
elements:*

PREPARE FOR THE NEW TAX YEAR

- *Establish a detailed project plan- key elements contd.:*

PREPARE FOR THE NEW TAX YEAR

- *Process tax on bonus option*
- *Process RA for tax benefit*
- *Implement additional checks in March*
- *Common Error – Feb payslips reversal*
- *Record and report in the correct year*
- *Update IRP5 totals for the prior year*

MONTHLY PLANNING BEST PRACTICE

- *Establish a monthly check list that is incorporated into monthly payroll process*[2. Monthly Payroll Check List.docx](#)
- *Establish a monthly EMP201 reconciliation template with monthly running totals and YTD totals*[1. EMP201 Reconciliation Template Mar 18 to Feb 19.xlsx](#)

Steps	Task to be Completed	Completed	Responsible	Due Date
1	Check all Employee mandatory data required to print on the IRP5 certificate monthly. Surname and full name, Address, ID or Passport no, date of birth and income tax reference no	✓	Sue	10 Mar 2018
2	Check rules on new earnings, deductions and fringe benefit parameters and verify SARS source code linking according to the SARS BRS			
3	Review payroll for negative totals on SARS source codes and update. No amounts may be reported on a negative rule			
4	Update missing tax reference numbers			
5	Reconcile payroll monthly general ledger control accounts & bank account			
6	Update payments made out of the system manually in the month it occurs			
7	Update all GL reconciliation items e.g. medical aid			
8	Check medical aid dependants are recorded correctly			
9	Should there be a late termination and you have stopped the employee's salary, update this correcting earnings and deductions to reflect accurately			
10	After finalising payroll extract payroll validation reports and correct errors			
11	Extract standard payroll balancing reports and review			
12	After final payroll extract the tax balancing reports monthly and YTD			
13	Update EMP201 reconciliation template control			
14	Create EMP201 Monthly Employer Declaration and complete with liability			
15	Print SARS Statement of Account and verify amount due is amount on EMP201 Declaration and payroll totals report			
16	Make payment due on the 7 th or working day before if it falls on a weekend or PH			

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Reconciliation of EMP201 Payments March 2018 to February 2019

Month	PAYE	SDL	UIF	TOTAL
Mar-18	23 578,56	3 125,85	5 611,68	32 316,09
Apr-18	22 796,31	2 996,33	5 372,90	31 165,54
May-18	22 565,50	2 949,84	5 236,84	30 752,18
Jun-18				0,00
Jul-18				0,00
Aug-18				0,00
Sep-18				0,00
Oct-18				0,00
Nov-18				0,00
Dec-18				0,00
Jan-19				0,00
Feb-19				0,00
Total	68 940,37	9 072,02	16 221,42	94 233,81
YTD Report	69 940,17	9 072,02	16 221,42	95 233,61
Variance	-999,80	0,00	0,00	-999,80

VALIDATION ERRORS

- *Lump sum income – no directive number- error*
- *Negative earnings on IRP5 code- error*
- *Potential penalty tax reference number not completed- warning*
- *Work telephone number mandatory – error*
- *Employee Address mandatory - error*

ANNUAL PLANNING BEST PRACTICE

- *Provide employees with a process to update their addresses and contact details as required by SARS-par14(1) 4th Schedule*
- *ESS – reminder to employees*
- *Create a form to be completed – current and new*
- *Plan ahead to give time to update*

ANNUAL PLANNING BEST PRACTICE

- *Read the SARS updated BRS release*
- *Communicate to HR and other stakeholders*
- *Establish an annual check list [3. Tax Year End Check List.docx](#)*
- *Make sure you have the latest version of e@syFile™ Employer available-download from SARS*

Steps	Task To be Completed	Completed	Responsible	Due Date
1	Employee update address and contact details			
2	Set up appointment- Payroll System Support Consultant			
3	Check your Payroll System: Must be the most updated version with all SARS updated requirements for tax year end processing before you run the last payroll run in Feb. Refer to SARS BRS			
4	Arrange with IT department to upgrade Payroll System- Follow IT project plan/ upgrade procedure			
5	Communicate to relevant stakeholders on year end deadlines			
6	Apply for SARS tax directives early to be able to update on payroll in the correct tax year			
7	Update General Ledger Reconciliation items for the tax period			
8	Review payroll for negative amounts on YTD SARS source codes and correct before final run			
9	Review medical aid recon and update changes for tax year			
10	Review the GL account for PAYE, SDL and UIF to ensure it clears after final payment			
11	Balance final payroll for Feb before late adjustments are done on tax total changes. Update payroll adjustments that is applicable to the tax year e.g. dismissal			
12	Establish a tax update register to control the adjustments and payments			
13	Import and processing <u>on e@sy</u> File must be done on the latest version available at the time of submission. Latest version downloaded from www.sarsefiling.co.za			
14	Create a 'Tax Year End 2018' folder to save all applicable backups, reports and files for reference and record purposes.			
15	After February final payroll is processed- Backup Tax Year End data for 2018 before any changes are made:			

	Make a database backup and save this specific to the period.			
16	<p>Extract payroll standard reports for the Feb tax year end period :</p> <ul style="list-style-type: none"> • A detailed EMP201 (incl. ETI) for the full period • A Recon Totals report displaying YTD+ amounts for all payroll codes 			
17	<p>Ensure the following information is correct on your payroll system:</p> <p>Company Basic Information:</p> <ul style="list-style-type: none"> • Registered/Trading Name of the company (company name that must print on the Tax Certificates) • Trade Classification Type • IRP5 Contact Person Details (person to address reconciliation queries) • Tax Registration Number (PAYE reference number) • UIF Reference Number (Uxxx number on EMP201) • SDL Reference Number (Lxxx number on EMP201) • Standard Industry Classification Code (SIC Code) 			
18	<p>Verify the following Medical Aid information:</p> <ul style="list-style-type: none"> • Ensure that the Medical Aid Dependents reflect correctly • Print the Medical Aid Plan Basic report and compare this with your monthly Medical Aid billings as this must balance to the Tax Certificate provided by the Medical Aid Administrator 			
19	<p>Check all Employee Information screens to verify the following mandatory information:</p> <p>Personal Details</p> <ul style="list-style-type: none"> • Surname (no punctuation allowed) • First two names (no punctuation allowed) • Initials (no punctuation/spaces allowed) • Identity Number/Passport Number and Passport Country • Date of birth (Ensure that the date of birth corresponds with the first 6 digits of the ID Number) 			

	<ul style="list-style-type: none"> In the case where a Company, CC or Trust is loaded as an employee on the payroll, the Trading Name (instead of employee name) is mandatory. Employee Business Telephone Number <p>Address Details</p> <ul style="list-style-type: none"> Residential, Postal and Work Address (Remove all punctuation marks and correct all fictitious information, for example XXX instead of a valid address. <p>Statutory Details</p> <ul style="list-style-type: none"> Tax Status Tax Start Date Tax Number (required) Directive number(s) if applicable (maximum 3 per record) <p>Bank Details</p> <ul style="list-style-type: none"> Account Number Account Holder Name Account Holder Relationship Account Type Bank Bank Branch <p>Employment Tax Incentive</p> <ul style="list-style-type: none"> Standard Industry Classification Code (SIC) 			
20	Print Payroll standard Validation report and correct data exceptions			
21	Reconcile the tax paid to SARS by comparing it to the tax on the Payroll System for the tax year and the EMP201 Reconciliation template. Add payment due for adjustments to IRP5 certificates			

22	Reconcile the ETI Tax Incentive claimed from SARS by comparing it to the ETI Tax Incentive on the Payroll System.			
23	Make final payment to SARS on or before the 7 th of the month			
24	Do a Test Run Tax Certificate export for Tax Year End and import the test file into <u>e@syFile-Employer</u> If an error list is generated, correct the errors and re-do the Test Run until no errors are found.			
25	Print sample test certificates and balance the SARS codes to payroll. Manually calculate the tax due to ensure that codes are reported correctly			
26	Do a Live Run Tax Certificate export for Tax Year End and import the live file into e@syFile-Employer, only if no error list is generated.			
27	Capture all manual tax certificates <u>on e@syFile-Employer</u> .			
28	Complete the EMP501 Reconciliation <u>on e@syFile-Employer</u> . SARS allows to make adjustments to payments on the EMP501 rather than on a historical EMP201. View the total value of tax certificates liability. Balance this to monthly payments made and the EMP201 reconciliation. Provide explanation on variance. File and submit the EMP501 reconciliation.			
29	Obtain confirmation that the submission was successful			
30	Obtain sign of on EMP501 reconciliation approved signatory			
31	File EMP501 reconciliation in Tax Year End File			
32	Arrange printing of IRP5 certificates or submission on ESS			
33	Arrange distribution/posting of IRP5 certificates and notify HR of date			
34	Backup Tax Year End data: Make a database backup and keep			

RECONCILIATION ELEMENTS

- *Monthly Employer Declarations (EMP201's) submitted [Pay-As-You-Earn (PAYE) and/or Skills Development Levy (SDL), Unemployment Insurance Fund (UIF) amounts due and employment tax incentive if applicable]*
- *Payments made (excluding penalty and interest payments)*
- *IRP5/IT3(a)s generated - PAYE, SDL and UIF values.*

WHAT TO RECONCILE

- *The EMP501 must reconcile to your EMP201's, which should have been submitted during the period (giving you a chance to correct this, where needed).*
- *The EMP201's must reconcile to payments made for the period.*
- *The EMP201 payments must reconcile to your IRP5/IT3(a)s generated.*

BE READY FOR YOUR INTERIM RECONCILIATION

- *Monthly planning gets you ready for your interim reconciliation submission*

CELEBRATE YOUR SUCCESS

Resources

SARS website on www.sars.gov.za

BRS - PAYE Employer Reconciliation for 2017 / 2018

EDUCATION
PAYROLL



**"We're trying to resolve your salary problem
or, at the very least, put you on hold for the
rest of the day."**