South African Payroll Association

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Understanding Your Pay Slip

Jethro Malapane, Executive Committee Member of the South African Payroll Association (SAPA), says the association often receives queries about pay slips. Many times, these queries stem from employees not understanding how their salaries and wages are structured, as well as uncertainty about salary codes.

"There are two types of pay slips - the pre-employment 'dummy' pay slip and monthly pay slips. The 'dummy' pay slip should include an estimation of what you will be earning along with a detailed explanation. The mistake employees make here is that they don't take the time to understand the details of what the numbers entail. It might look like your net pay is increasing, but a new employer's medical aid benefit may cover two dependents whereas your former company's medical aid benefit covered five dependants, for example, so the new offer reduces the individual's net worth. It's important to have a clear understanding of your salary structure and benefits before you join a company," says Malapane.

Look at the salary codes, not your net pay

The salary codes on a pay slip are linked to statutory company contributions and company benefits that you may be contributing towards. The payslip consists of Earnings which includes your basic salary, overtime and any other earnings applicable; Deductions which includes PAYE, UIF & any other deductions applicable; Company Contributions which includes all company contributions as per your contract & Fringe Benefits which includes all relevant fringe benefits received by the employee .

"UIF is the 2% of your salary whereby the company pays 1% and you pay 1% – the company contribution doesn't come out of your pay regardless of your salary structure. The Skills Development Levy (SDL) is also a company contribution that doesn't impact your salary. The benefit deductions on the pay slip is usually the point of confusion. A medical aid benefit, for example, may see the employer contributing 50% towards the benefit. When employees sign a contract stipulating that they will receive a 50% medical aid contribution, they may assume that it is an additional amount on top of their salaries. This would only happen if you sign a basic + benefit salary structure. Many companies in South Africa offer Cost-to-Company salary structures, where an employee's total cost of employment is calculated." says Malapane.

Transparency and education is needed

According to the Basic Conditions of Employment Act, an employer may only make voluntary deductions from salaries if there is a signed agreement between the employee and employer to do so, and if they are legally allowed to. There is also a limit to the total amount that employers can deduct from your salary in terms of

Emolument Attachment Orders, namely no more than 25% of your salary or wage, as per the Courts of Law Amendment Act (7 of 2017).

He concludes by saying that Payroll & HR has a responsibility to educate employees regarding their pay slips and salary structures. “If an employee had a different impression about his salary structure than what he signed up for, it is a failure on the employer’s behalf. As part of a company’s retention strategy, companies must be transparent and proactive about educating employees on their pay slips.”

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