KPMG

Tax and Legal News

February 2022

South African employer obligations on the horizon

The South African tax year for natural persons and for employment taxes runs from 1 March to 28/29 February. This article focusses on:

— Employees' tax ("Pay-As-You-Earn" abbreviated to "PAYE")
— Unemployment Insurance Fund Contributions ("UIF")
— Skills Development Levies ("SDL")
— The Employment Tax Incentive ("ETI")

Why is this important?

With tax year-end fast approaching, employers have limited time to ensure that the payroll for year ending February 2022 is accurate. This includes ensuring that PAYE & UIF withholdings and the SDL remittances have been paid to the South African Revenue Service ("SARS") in line with the applicable employment taxes legislation as well as correct disclosure of remuneration on the annual employees' tax certificates (forms IRP5).

Following the tax year-end, employers have three months until 31 May 2022 (to prepare and submit the annual employer declaration (form EMP501) to SARS. In relation to the current tax year, it is imperative that the PAYE, UIF and SDL payments have all been received by SARS by 7th March 2022 avoid potential penalties and interest being levied by SARS.

Some important points when preparing for Tax Year-end and the Annual Employer filing:

1 Review your SARS PAYE statement of account, which includes the SDL and UIF amounts to ensure that the employer declarations filed during the tax year and corresponding payments reflect correctly;

2 Make sure all relevant employee biographical details, in line with the (2021/2022 tax year) current BRS, is included on the payroll. The Business Requirement Specification document ("BRS") specifies the requirements for the submission of tax certificates and employer reconciliation for PAYE, SDL and UIF.

3 If there are any expatriate employees on the payroll, the employer must ensure that the correct income source codes are applied to the IRP5 certificate as relates to South African sourced and foreign sourced remuneration to avoid having to re-open the employer filing should the expatriate employee's IRP5 be incorrectly coded. In relation to outbound employees who remain tax resident in South Africa, only the first ZAR 1,25 million of foreign remuneration is exempt from tax.

New Tax Year is upon us (1 March 2022 – 28 February 2023)

Just as employers start to breathe a sigh of relief for surviving tax year-end, the new tax year is upon us which will bring about more changes. As we keenly await the Budget Speech scheduled to take place on Wednesday 23rd February 2022; SARS already issued the new BRS (2022-2023), applicable for the February 2023 tax year. Some of the changes include a new IRP5 code applicable to Long Service awards given to employees. These awards must be disclosed against SARS IRP5 source code 3835 (3885 foreign services).

It is important that employers ensure that all changes contained in the 2022-2023 BRS is implemented in the payroll by March 2022.

How can KPMG help?

Our KPMG employment tax payroll specialists are able to assist with the review of your payroll using cutting-edge data analytics technology tools where we can assess the entire payroll with small populations to payrolls with large employee populations to provide specific insights as where potential areas of non-compliance exist.

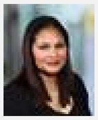
In addition:

- We can assist with apportionment calculations and advise on relevant income disclosure codes to be used in cases where there are expatriate employees on the payroll.
- We can advise on Employment Tax Incentive claims and assist with checking if the ETI claims are correct.
- Where there are any employees' tax defaults, we can assist with Voluntary Disclosure Programme (VDP) submissions to SARS.
- We can assist with the resubmission of historic (prior year) employer declarations.

With SARS's focus on taxpayer compliance and given that employees' tax is the largest contributor to annual tax collections for SARS, it is important to ensure that payrolls are 100% accurate to mitigate penalties and interest. A proactive approach by employers in anticipation of SARS audits is recommended.

If you have any questions regarding the above or wish to speak to one of our Global Mobility and Employment Tax specialists, please contact:

Contact us



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