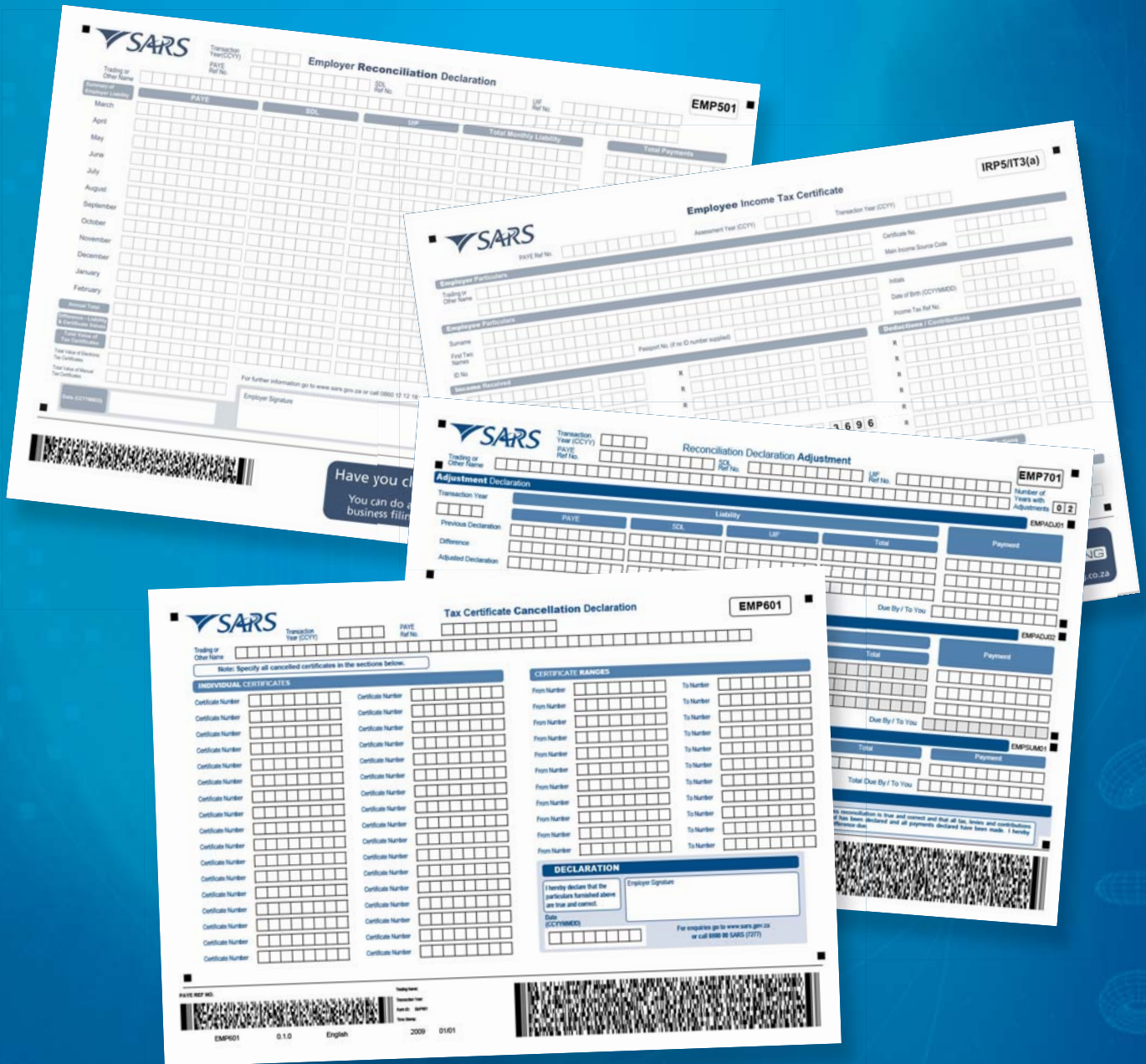


A STEP-BY-STEP GUIDE TO THE PAYE RECONCILIATION PROCESS



2009
Employers Tax Season

Reconciliation Period 1 April to 30 May

SARS
At Your Service

www.sars.gov.za

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This step-by-step guide to the new PAYE reconciliation process is not meant to delve into the precise technical and legal detail that is often associated with tax. It should, therefore, not be used as a legal reference.

Should you require additional information concerning any aspect of taxation, you may:

- Contact your local SARS office
- Contact the National SARS Call Centre on 0800 00 SARS (7277)
- Visit the SARS website <http://www.sars.gov.za>
- Contact your own advisors

South African Revenue Service

April 2009

1. OVERVIEW

Last year SARS introduced a number of changes to the PAYE reconciliation process aimed at simplifying it for employers, ensuring more accurate third party data for SARS and providing the source for pre-populating tax returns for individual taxpayers.

In terms of the Income Tax Act, employers are required to:

- Deduct the correct amount of tax from employees;
- Pay this amount to SARS monthly;
- Reconcile these deductions and payments annually; and
- Issue correct income tax certificates to employees [IRP5/IT3(a)]

The process of employers deducting and paying tax on behalf of employees – most notably the annual PAYE reconciliation process – is the cornerstone of the PIT process and has for a long time presented difficulties for both employers and SARS because the reconciliation rarely works out first time round!

However, a new PAYE reconciliation declaration process was introduced last year to address these challenges and simplify the process by:

- Empowering employers to calculate the difference (if any) between the total value of tax certificates to be issued, their total annual declared liability and their total payments to SARS
- Providing a full electronic process including amendments to certificates
- Providing free software (e@syFile) to help employers meet their obligations within the prescribed 60 day period.

For more information or assistance visit your nearest SARS branch or call 0800 00 SARS (7277).

2. UNDERSTANDING THE NEW RECONCILIATION PROCESS

Employers are required by law to perform a reconciliation of the employees' tax withheld and paid over to SARS at the end of each employer tax period. This must be submitted to SARS within 60 days of the end of the tax year or a date prescribed by the Commissioner (in the case of 2009 the deadline is 30 May). In the case of other scenarios, eg. insolvency, refer to the Income Tax Act in terms of submission dates.

Last year, a new PAYE reconciliation process involving a simplified Employer Reconciliation Declaration (EMP501), a Tax Certificate Cancellation Declaration (EMP601) and free custom-built software (e@syFile) was introduced to alleviate many of the difficulties of the past.

The EMP501 allows employers to calculate the difference, if any, between the total value of the tax certificates they issued, their total annual declared liability and their total payments to SARS.

They simply submit the EMP501 with all tax certificates to SARS via eFiling, on a disc or manually at any SARS branch. Where a disc is submitted, a signed paper copy of the EMP501 must accompany the submission.

For the current tax year (2009) the basic reconciliation process remains the same, except for a few amendments born out of the experience of SARS, payroll administrators, employers and practitioners last year. One of these is the introduction of a new form, the EMP701, which will allow employers to make adjustments to their PAYE declarations and payments in respect of prior years.



Your FREE desktop tax helper



3. e@syFile

A major development in the reconciliation process last year was the introduction of a free software application (e@syFile) to reduce turnaround times and errors and ultimately provide a simpler, more convenient process for both employers and SARS.

Using e@syFile PAYE, employers can finalise and submit their reconciliation in four basic steps:

Step 1

The employer's current payroll system generates electronic tax certificates [IRP5/IT3(a)] in a CSV file which is imported into e@syFile.

Step 2

The employer uses e@syFile to capture all manual certificates.

Step 3

e@syFile uses the information from all the tax certificates to automatically populate the EMP501. The employer enters the monthly liabilities and payments and e@syFile calculates everything except the SDL and UIF certificate amounts.

Step 4

The employer is ready to submit to SARS. Using e@syFile they can:

- Submit their EMP501 and all accompanying tax certificates electronically via eFiling
- Generate an encrypted file (for added security) containing their EMP501 and all certificates ready to be delivered to SARS. This file can be saved to CD, DVD or memory stick for delivery to their nearest SARS branch with a printed signed copy of the EMP501.

e@syFile also automatically generates Adobe PDF versions of all tax certificates ready to be given to employees (either printed or electronic).

The employer can also submit his EMP501 and tax certificates manually to a branch where it will be captured and verified. Copies of the IRP5/IT3(a) certificates can then be given to employees.

Copies of the IRP5/IT3(a) certificates can be given to employees only when SARS has accepted the documents.

4.2 COMPLETING THE EMP501

Step 1

Complete all **header fields**:

The screenshot shows the header section of the SARS EMP501 form. It features the SARS logo on the left and the title 'Employer Reconciliation Declaration' in the center, with 'EMP501' in a box on the right. Below the title are several input fields: 'Transaction Year (CCYY)' (4 digits), 'PAYE Ref No.' (10 digits), 'SDL Ref No.' (10 digits), and 'UIF Ref No.' (10 digits). At the bottom left is a 'Trading or Other Name' field (20 characters).

- **Transaction Year** – This is the year of assessment which you are reconciling. It is always the same year as the year of assessment in the accompanying employee tax certificate.
- **Reference Nos.** – The tax types for which you are/were registered for the relevant year must be completed.
- **Trading or Other Name** – Trading name of the employer

Step 2

Enter the **Summary of Employer Liability**:

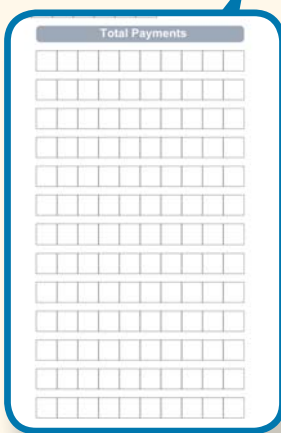
Summary of Employer Liability	PAYE	SDL	UIF	Total Monthly Liability
March				
April				
May				
June				
July				
August				
September				
October				
November				
December				
January				
February				

These fields are a summary of the monthly liabilities for PAYE, SDL and UIF as **recalculated** during the reconciliation process or at the end of a tax period of a certain employee or on implementation of new tables.

- They are all numeric fields and cents must be omitted and rounded off to the nearest rand.
- A zero liability should be indicated using "0"
- **Total Monthly Liability** – This is the sum of the PAYE, SDL and UIF liabilities for the relevant month.

Step 3

Record your **Total Payments**:



The monthly total of all **actual** payments made to SARS in respect of PAYE, SDL and UIF for the relevant month should be indicated. This must **exclude** any additional tax, interest and penalties paid.

They are all numeric fields and cents must be omitted and rounded off to the nearest rand.

Step 4

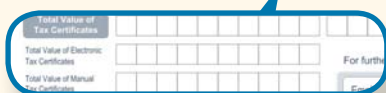
Calculate the **Annual Total Liabilities**:



This is the sum of all the liabilities for the 12 months in respect of PAYE, SDL, UIF and finally a grand total of the total monthly liabilities for the year.

Step 5

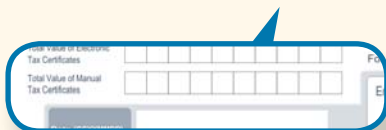
Enter the **Total Value of Electronic Tax Certificates**:



This is the sum total of the tax value for all electronic tax certificates issued by the employer.

Step 6

Enter the **Total Value of Manual Tax Certificates**:



This is the sum total of the tax value for all manually completed tax certificates issued by the employer.

Step 7

Calculate the **Total Value of Tax Certificates**:



Add together the total value of electronic and manual certificates in respect of PAYE, SDL and UIF.

Step 8

Calculate the **Difference between Liability and Certificate Totals:**

The screenshot shows a portion of the EMP501 form. The 'Difference - Liability & Certificate Values' field is highlighted with a blue callout box. The field is a grid of empty boxes for data entry. To the right, the 'Declared Liability' field is partially visible.

Subtract the total annual liability from the total value of certificates in respect of PAYE, SDL and UIF to give a difference (if any). If the employer has completed his reconciliation accurately, there should not be a difference between the tax certificate value and total liability.

Step 9

Calculate the **Difference between Total Liability and Total Certificate Values:**

The screenshot shows the same portion of the EMP501 form as in Step 8. A red oval highlights the final calculated difference in the 'Difference - Liability & Certificate Values' field.

This is a sum of the differences (if any) for PAYE, SDL and UIF to give a total difference.

Step 10

Calculate your **Declared Liability:**

The screenshot shows the 'Declared Liability' field on the EMP501 form, which is a grid of empty boxes for data entry.

Add your total annual liability for PAYE, SDL and UIF plus the total difference (if any) to arrive at your final declared liability.

Step 11

Calculate **any outstanding amounts Due By/To You:**

The screenshot shows the 'Due By / To You' field on the EMP501 form, which is a grid of empty boxes for data entry. A small note next to the field reads '(incl. Additional Tax, Interest and Penalties)'. A blue callout box points to the field.

Subtract your Total Payments from your Declared Liability for the year. Any positive amount is due by you and any negative amount is due to you.

Step 12

Sign and date your **declaration.**

The screenshot shows the 'Declaration' section of the EMP501 form. It includes fields for 'Date of Manual Certificates' and 'Date (CCYMMSS)', an 'Employer Signature' field, and a 'DECLARATION' button. A text box contains the declaration statement: 'I hereby declare that this reconciliation is true and correct and that all tax required to be deducted has been declared and all payments declared have been made. I hereby accept liability for any difference due.'

Step 13

Submit your EMP501 along with copies of all tax certificates (electronic and manual) to SARS within 60 days of the end of the tax year or **a date prescribed by the Commissioner (in the case of 2009 the deadline is 30 May).**

- Electronic certificates can be provided on a CD, DVD or memory stick.
- Manual certificates should be completed on the new Employee Tax Certificate [IRP5/IT3(a)] available from all SARS branches or on e@syFile.
- Use e@syFile to submit via eFiling.

4.3 RECONCILIATION

4.3.1 How to reconcile

Reconciliation involves matching all tax due (liabilities) with all tax paid and checking these against the total value of all tax certificates issued. These three amounts should all be equal. The reconciliation process only relates to tax paid and not additional tax, penalties or interest. It also relates only to certificates, liabilities and payments in respect of the same tax year. If any of these include amounts which relate to different (prior or future) tax years it will not be possible to reconcile the declaration.

4.3.2 Reconciliation steps for employers:

Step 1

Before you fill in your EMP501 at financial year-end, determine the total income for each employee for that year and recalculate the tax based on that amount. Employee Income Tax Certificates [IRP5/IT3(a)] should reflect the income, deductions and tax as calculated at this point.

Step 2

If the recalculated liability according to your tax certificates is different to what was previously declared in your monthly EMP201s, you need to determine in which month(s) these differences occurred.

Step 3

Capture all your monthly liabilities for PAYE, SDL and UIF using these revised figures in the Summary of Employer Liability field on the EMP501 (i.e. where different, the liabilities inserted on the EMP501 should be final liabilities rather than the liabilities declared on the EMP201).

Step 4

Capture your total monthly payments made in respect of PAYE, SDL and UIF but excluding payments made in respect of interest, penalties and additional tax. These are the **actual** payments you have made to SARS throughout the year – there are no recalculations needed.

Step 5

Calculate the totals and difference fields (If using e@syFile simply click on the self-assess button in order to populate all the totals and difference fields for you).

Step 6

Employers must calculate the SDL and UIF totals and capture the values.

Step 7

When settling any shortfall reflected in the reconciliation, the payment must be allocated to the period(s) in which the shortfall occurred. If the relevant period cannot be determined, the payment should be allocated to the last active period within the transaction year, which is normally February.

4.4 ISSUES THAT MAY COME UP:

1. If you finalised your reconciliations last year and you had a credit due to you that you used in settling a liability this year, you should add it to the payment field for that particular month in finalising your reconciliation.
2. The following are the most common instances where the recalculated (actual) monthly liabilities could differ from the original declared liability amount on the EMP201s:
 - A delay in implementing the correct tax tables. This may have resulted in an over- or under-deduction of tax in the months prior to the tax tables being introduced. As long as the adjustments are made in the month following the tax tables being made available, the original EMP201 amounts need not be revised.
 - When performing your final tax liability calculation for employees, differences could arise as a result of fluctuations in monthly remuneration. Where this has occurred the differences must be reflected in the relevant month (e.g. in the month that a person resigns or end of the tax year).
 - When an employer spreads an employee's tax on their 13th cheque over a tax year and the employee resigns before the bonus is due, there might be an over- or under-deduction.
 - Any administrative timing difference in updating your payroll records (e.g. resignation or death of an employee which is only updated after running the payroll, resulting in an over-payment to SARS).
3. If you change any data in respect of any reconciliation that has already been submitted to SARS, the certificate/s can be amended and the EMP501 adjusted accordingly. The revised EMP501 and any revised certificates must then be resubmitted to SARS.

5.2 COMPLETING EMPLOYEE INCOME TAX CERTIFICATES [IRP5/IT3(a)]:

Manual IRP5/IT3(a)s are available in a new pad format from any SARS branch or e@syFile.

Step 1

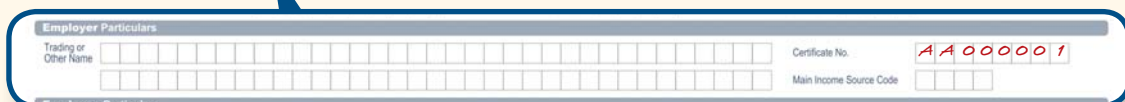
Complete the **header details**:



- **PAYE Ref No.:** Enter the reference number of the employer. It must start with a 7 if the employer is registered and with a 0, 1, 2, 3 or 9 if the employer is not registered for employees' tax purposes. Where the reference number starts with 0, 1, 2, 3 or 9, the tax value on the certificate may not be completed, but the reason for non-deduction must be filled in (see full list of non-deduction codes on page 28).
- **Assessment Year:** This must be the same as the transaction year.
- **Transaction Year:** En

Step 2

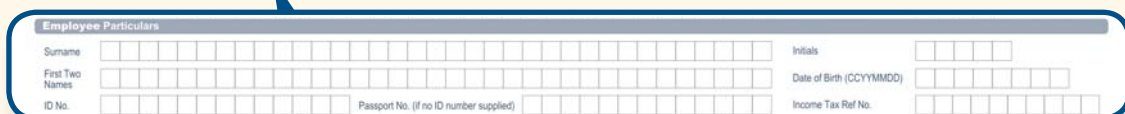
Fill in the **employer particulars**:



- **Trading or Other Name** - Trading name of the employer.
- **Certificate No.:** This is the unique number allocated by the employer for each specific IRP5/IT3(a) issued.
- **Main Income Source Code:** This is the source code reflecting the primary economic sector in which the company works (see page 23).

Step 3

Fill in **Employee Particulars**:



- You need to provide **Surname, Initials, First Two Names, Date Of Birth, ID Number, Passport Number (if no ID number is supplied) and Income Tax Ref No.** of the employee (this must start with a 0, 1, 2 or 3).
- Note: Without accurate employee details SARS cannot match the IRP5/IT3(a) to the taxpayer.
- When the certificate is not issued in respect of an individual (e.g. for a business), use the surname field to provide the name of the entity and leave other fields blank.

Step 4

Complete the **Income Received** section.

Rand amounts should be entered from right of the grid and cents must be rounded off to the nearest rand as per the example below:

- **R (rand value of income):**

- **Code block:**

A valid income code must be completed in these four blocks according to what type of income was received (see pages 24 - 25).

- **Non-Taxable Income:** This is the sum total of all income amounts completed as non-taxable (code 3696). The amount completed must be excluded from codes 3697 and 3698.
- **Gross Retirement Funding Income:** This is the total of all retirement funding income amounts (code 3697). It is mandatory if no value is completed against code 3696 or 3698.
- **Gross Non-Retirement Funding Income:** The total of all non-retirement funding income amounts (code 3698). It is mandatory if no value is completed against code 3696 or 3697.

Step 5

Complete the **Deductions/Contributions** section if any relevant amount has been deducted from or contributed on behalf of the employee.

Deductions / Contributions																		
R										2	8	4	0	9	4	0	0	1
R																		
R																		
R																		
R																		
R																		
R																		
Total Deductions / Contributions																		
R																		

Cents must be rounded off to the nearest rand:

- The rand value amount of the deductions/contributions must be completed from the right. The code for that deduction/contribution must be entered in the four blocks next to the rand amount.
- **Total Deductions/Contributions:** This is the sum total of all deductions/contributions.

Step 6

The **Pay Periods** section at the bottom must be filled in, as per the examples below:

Pay Periods				
Pay Periods in Year of Assessment			1	2
Pay Periods Worked				8

- **Pay Periods In Year of Assessment:**

Pay Periods				
Pay Periods in Year of Assessment			1	2
Pay Periods Worked				

The number of pay periods the employer divided their tax year into (normally in months or days). Any value between 1 and 380 is valid.

- **Pay Periods Worked:**

Pay Periods				
Pay Periods in Year of Assessment				
Pay Periods Worked				8

This is the number of pay periods the employee worked in the tax year. Any value between 1 and 380 is valid.

Step 7

Complete the **Tax Withheld** section at the bottom of the page:

Tax Withheld				
4101 - SITE R	<input type="text"/>	,	<input type="text"/>	4101 - SITE R
4102 - PAYE R	<input type="text"/>	,	<input type="text"/>	4102 - PAYE R
4115 - PAYE on Lump Sum Benefit R	<input type="text"/>	,	<input type="text"/>	4115 - PAYE on Lump Sum Benefit R
4101 + 4102 + 4115 =	<input type="text"/>	,	<input type="text"/>	4101 + 4102 + 4115 =
	<input type="text"/>		<input type="text"/>	Reason for Non-Deduction of Employees' Tax

This deals with the tax amounts deducted from the employee before passing it on to SARS. This is the only section of the form in which **rands and cents** must be used.

- 4101-SITE: SITE amount deducted by the employer from the employees' income. This is a mandatory field if you did not complete codes 4102, 4115 and Reason for Non-Deduction of Employees' Tax.
- 4102-PAYE: PAYE amount deducted by the employer. This is a mandatory field if you did not complete codes 4101, 4115 and Reason for Non-Deduction of Employees' Tax.
- 4115-PAYE on Lump Sum Benefit: PAYE amount deducted by the employer from the retirement lump sum benefit. This field may only be completed if code 3915 has been completed under income.
- **4101+4102+4115:** Sum total of the values completed against code 4101, 4102 and 4115. This is a mandatory field if a value is completed against code 4101, 4102 or 4115.
- Reason for Non-Deduction of Employees' Tax: The reason code why the employer has not deducted any employees' tax from the income (see pages 28). This is a mandatory field if no value is completed against code 4101, 4102 or 4115.

Step 8

Submit copies of all your manual IRP5/IT3(a)s, along with any electronic IRP5/IT3(a)s and your EMP501 to SARS within 60 days of the end of the tax year or **a date prescribed by the Commissioner (in the case of 2009 the deadline is 30 May)**. You may only provide a copy of the IRP5/IT3(a) certificate/s to employees once the reconciliation process has been completed. Retain copies for your own records.

6. TAX CERTIFICATE CANCELLATION DECLARATION (EMP601)

This must be completed if any IRP5/IT3(a) that has already been submitted to SARS needs to be cancelled by the employer. Manual EMP601s are available at SARS branches.

Step 1

Complete all **header fields**:

- **Transaction Year** – The tax year during which the certificate is being cancelled.
- **PAYE Reference No** – The number for which the employer is registered for PAYE.
- **Trading or Other Name** – Trading name of the employer.

Step 2

If the certificates to be cancelled are consecutive in number, they should be completed under **Certificate Ranges**.

CERTIFICATE RANGES			
From Number	AA111124	To Number	AA111122
From Number		To Number	
From Number		To Number	
From Number		To Number	
From Number		To Number	
From Number		To Number	
From Number		To Number	
From Number		To Number	
From Number		To Number	
From Number		To Number	
From Number		To Number	
From Number		To Number	
From Number		To Number	
From Number		To Number	
From Number		To Number	

Step 3

However, if they are random in number, they should be completed under **Individual Certificates**.

INDIVIDUAL CERTIFICATES			
Certificate Number	AA123479	Certificate Number	
Certificate Number	15697540	Certificate Number	
Certificate Number		Certificate Number	
Certificate Number		Certificate Number	
Certificate Number		Certificate Number	
Certificate Number		Certificate Number	
Certificate Number		Certificate Number	
Certificate Number		Certificate Number	
Certificate Number		Certificate Number	
Certificate Number		Certificate Number	
Certificate Number		Certificate Number	
Certificate Number		Certificate Number	
Certificate Number		Certificate Number	
Certificate Number		Certificate Number	
Certificate Number		Certificate Number	
Certificate Number		Certificate Number	
Certificate Number		Certificate Number	
Certificate Number		Certificate Number	
Certificate Number		Certificate Number	
Certificate Number		Certificate Number	
Certificate Number		Certificate Number	

Step 4

Sign and date the **Declaration**.

DECLARATION	
I hereby declare that the particulars furnished above are true and correct.	Employer Signature
Date (CCYYMMDD)	
For enquiries go to www.sars.gov.za or call 0800 00 SARS (7277)	

7. THE RECONCILIATION DECLARATION ADJUSTMENT (EMP701)

The EMP701 must be completed if adjustments need to be made to PAYE declarations and payments in respect of prior years. If an employer wants to change a declaration for 2007/08 or any prior period after the 2008/09 Tax Season for Employers begins, they must complete an EMP701. However, if they want to make the adjustment for the 2007/08 tax period before the Tax Season begins, the change must be reflected on a revised EMP501.

Step 1

Complete all **header** fields:

- **Transaction year** – The current year.
- **Reference Nos.** – The tax types for which you are / were registered – eg. PAYE, UIF or SDL - for the relevant year must be completed.
- **Trading Name** – Trading name of the employer
- **Number of Years with Adjustments** – Number of years in which adjustments to declarations need to be made.

Step 2

Under **Adjustment Declaration**, complete:

The image shows two identical 'Adjustment Declaration' forms, labeled EMPADJ01 and EMPADJ02. Each form is a grid-based table with the following structure:

Transaction Year	Liability				Payment
	PAYE	SDL	UIF	Total	
Previous Declaration					
Difference					
Adjusted Declaration					
					Due By / To You

- **Transaction Year** – The year in which the declaration needs to be changed.
- **Previous Declaration** – These amounts must be the amounts that were declared for the relevant year that you would like to change. They are the Total Value of Tax Certificates for PAYE, SDL and UIF. If at any stage the values have been changed since the original declaration, the most recent values should be used.
- **Difference** – This is the difference between the previous declaration and the new declaration. The total is calculated by adding the PAYE, SDL and UIF Difference amounts.
- **Adjusted declaration** – This is the sum of the **Previous Declaration** and the **Difference** for PAYE, SDL, UIF.
- **Payment** – The **previous declaration** payment is the amount that was already paid relating to the declared liability of that year. The difference payment is any other money that was subsequently paid relating to the original liability or relating to the new declared liability. The **Adjusted Declaration** payment is the sum of the **Previous Declaration** payment and the **Difference** payment.
- Calculate any outstanding amounts **Due By/To you** – Subtract the adjusted declaration payments from your adjusted declaration liability total for the year. Any positive value is due by you and any negative value is due to you.

Note: The manual EMP701 form which is available at SARS branches will contain a maximum of two Adjustment Declaration sections, which will allow you to change two declarations. If more are needed, more forms should be taken.

If you complete the form electronically through e@syFile, the Number of Years with Adjustments will dictate how many Adjustment Declaration containers are created.

Step 3

Complete the **Sum of the Adjusted Declaration(s)**:

The form is titled "Sum of Adjusted Declaration(s)" and includes a reference code "EMPSUM01" in the top right corner. It features five main columns: "PAYE", "SDL", "UIF", "Total", and "Payment". Each column has a header row and a corresponding row of 12 empty boxes for data entry. Below these columns is a row of 12 boxes labeled "Total Due By / To You".

- Under the PAYE, SDL, UIF, Total and Payment fields, add the Adjusted Declaration amounts for all years in the above fields. Note: If it's a manual form, these values must be manually completed. If it's electronic, the values will be automatically calculated and populated.
- **Total Due By/To You** - This is the total amount due by or to the employer in respect of the years for which they are changing the declarations. This amount is calculated by the Total less the Payment of the **Sum of the Adjusted Declaration(s)**. This amount must be equal to the sum of the individual Due By/To You in the above fields.

Step 4

Sign and date the **declaration**.

The form is titled "Declaration" and includes a reference code "EMPSUM01" in the top right corner. It features a "Date (CCYYMMDD)" field with 8 boxes, a "Signature" field, and a "For enquiries go to www.sars.gov.za or call 0800 12 12 18" field. A declaration statement is provided: "I hereby declare that this reconciliation is true and correct and that all tax, levies and contributions required to be deducted has been declared and all payments declared have been made. I hereby accept liability for any difference due."

Step 5

Submit your EMP701 together with all certificates related to this declaration change. If there is a need for cancellation of certificates, then an EMP601 must accompany the EMP701.

8. LIST OF INCOME AND DEDUCTION CODES FOR IRP5

8.1 MAIN INCOME SOURCE CODES

EMPLOYMENT (SALARY)	GROSS INCOME
3501	Agriculture, forestry and fishing
3502	Mining and stone quarrying works
3503	Food, drink and tobacco
3504	Textile
3505	Clothing and footwear
3506	Leather, leather goods and fur (excluding footwear and clothing)
3507	Wood, wood products and furniture
3508	Paper, printing and publishing
3509	Chemicals and chemical, rubber and plastic products
3510	Coal and petroleum products
3511	Bricks, ceramics, glass, cement and similar products
3512	Metal
3513	Metal products (except machinery and equipment)
3514	Machinery and related items
3515	Vehicle, parts and accessories
3516	Transport equipment (except vehicle, parts and accessories)
3517	Scientific, optical and similar equipment
3518	Other manufacturing industries
3519	Electricity, gas and water
3520	Construction
3521	Wholesale trade
3522	Retail trade
3523	Catering and accommodation
3524	Transport, storage and communication
3525	Financing, insurance, real estate and business services
3526	Public administration
3527	Educational services
3528	Research and scientific institutes
3529	Medical, dental, other health and veterinary services
3530	Social and related community services
3531	Recreational and cultural services
3532	Personal and household services
3533	Specialised repair services
3534	Agencies and other services
3535	Members of CC/Director of a company

8.2 NORMAL INCOME CODES

CODE	DESCRIPTION	EXPLANATION
3601 (3651)	Income (PAYE)	<p>An amount which is paid or payable to an employee for services rendered, for example:</p> <ul style="list-style-type: none"> • Salaries; • Wages; • Backdated wages / salaries (for current tax year); • Remuneration paid to migrant / seasonal worker; • Remuneration paid to full time scholars or students; etc. <p>Director's remuneration must be reflected under code 3615. Code 3651 MUST only be used for foreign service income.</p>

CODE	DESCRIPTION	EXPLANATION
3602 (3652)	Income (Excl)	Any non-taxable income excluding non-taxable allowances and fringe benefits. For example, this code accommodates all payments of a capital nature. Code 3652 MUST only be used for foreign service income.
3603 (3653)	Pension (PAYE)	Any pension paid on a regular basis as well as backdated pension payments (for current tax year). Code 3653 MUST only be used for foreign service income.
3604 (3654)	Pension (Excl)	Any pension paid on a regular basis that is not taxable, for example war pensions, etc. Code 3654 MUST only be used for foreign service income.
3605 (3655)	Annual payment (PAYE)	An amount which is defined as an annual payment, for example: <ul style="list-style-type: none"> • Annual bonus; • Incentive bonus; • Leave pay (on resignation / encashment); • Merit awards; • Bonus / incentive amount paid to an employee to retain his / her service for a specific period; etc. Code 3655 MUST only be used for foreign service income.
3606 (3656)	Commission (PAYE)	An amount derived mainly in the form of commission based on sales or turnover attributable to the employee. Code 3656 MUST only be used for foreign service income.
3607 (3657)	Overtime (PAYE)	An amount paid as overtime for rendering services. The tax on such payments is calculated as on income taxable. Code 3657 MUST only be used for foreign service income.
3608 (3658)	Arbitration award (PAYE)	The taxable portion of a settlement agreement between an employer and an employee as ordered by Court. Also including all awards allocated via a settlement out of Court or in respect of Labour disputes. Code 3658 MUST only be used for foreign service income.
3609 (3659)	Arbitration award (Excl)	The non-taxable portion of a settlement agreement between an employer and an employee as ordered by Court. Also including all awards allocated via a settlement out of Court or in respect of Labour disputes. Code 3659 MUST only be used for foreign service income.
3610 (3660)	Annuity from a RAF (PAYE)	A monthly annuity paid by a RAF to any person. Code 3660 MUST only be used for foreign service income.
3611 (3661)	Purchased annuity (PAYE)	The taxable portion of interest received on an annuity purchased from an Annuity Fund. Code 3661 MUST only be used for foreign service income.
3612 (3662)	Purchased annuity (Excl)	The non-taxable portion (capital interest) received on an annuity purchased from an Annuity Fund. Code 3662 MUST only be used for foreign service income.
3613 (3663)	Restraint of trade (PAYE)	Restraint of trade income paid to an employee. Code 3663 MUST only be used for foreign service income.
3614 (3664)	Other retirement lump sums (PAYE)	A retirement lump sum payment paid by a fund according to Section 1(eA) of the Act. Code 3664 MUST only be used for foreign service income.
3615 (3665)	Director's remuneration (PAYE)	Remuneration paid to a director of a private company / member of a close corporation. Code 3665 MUST only be used for foreign service income.
3616 (3666)	Independent contractors (PAYE)	Remuneration paid to an independent contractor. Code 3666 MUST only be used for foreign service income.
3617	Labour Brokers (PAYE/IT)	Remuneration paid to a labour broker - irrespective if the labour broker is in possession of an exemption certificate (IRP 30) or not.

8.3 ALLOWANCE CODES

CODE	DESCRIPTION	EXPLANATION
3701 (3751)	Travel allowance (PAYE)	An allowance or advance paid to an employee in respect of travelling expenses for business purposes – including fixed travel allowances, petrol-, garage- and maintenance cards. Code 3751 MUST only be used for foreign service income.
3702 (3752)	Reimbursive travel allowance (IT)	A reimbursement for business kilometres exceeding 8 000 kilometres per tax year or at a rate exceeding the prescribed rate per kilometre or the employee receives any other form of compensation for travel. Code 3752 MUST only be used for foreign service income.
3703 (3753)	Reimbursive travel allowance (Excl)	A reimbursement for business kilometres not exceeding 8 000 kilometres per tax year and at a rate which does not exceed the prescribed rate per kilometre and no other form of compensation for travel exists. Code 3753 MUST only be used for foreign service income.
3704 (3754)	Subsistence allowance – local travel (IT)	An allowance paid for expenses in respect of meals and / or incidental costs for local travel, which exceeds the deemed amounts. Code 3754 MUST only be used for foreign service income.
3705 (3755)	Subsistence allowance – local travel (Excl)	An allowance paid for expenses in respect of meals and / or incidental costs for local travel, which does not exceeds the deemed amounts. Code 3755 MUST only be used for foreign service income.
3706 (3756)	Entertainment allowance (PAYE)	This allowance is not valid with effect from 1 March 2002 and may not be reflected on an employees' tax certificate.
3707 (3757)	Share options exercised (PAYE)	Any amount in terms of a qualifying equity share disposed or gain made under a share scheme operated for the benefit of employees. Code 3757 MUST only be used for foreign service income.
3708 (3758)	Public office allowance (PAYE)	An allowance granted to a holder of a public office to enable him / her to defray expenditure incurred in connection with such office. Code 3758 MUST only be used for foreign service income.
3709 (3759)	Uniform allowance (Excl)	An allowance for a special uniform which is clearly distinguishable from ordinary clothes. Code 3759 MUST only be used for foreign service income.
3710 (3760)	Tool allowance (PAYE)	An allowance for the acquisition of tools for business use. Code 3760 MUST only be used for foreign service income.
3711 (3761)	Computer allowance (PAYE)	An allowance for the acquisition or use of a computer. Code 3761 MUST only be used for foreign service income.
3712 (3762)	Telephone/cell phone allowance (PAYE)	An allowance for expenses incurred in the use of a telephone / cell phone for business purposes. Code 3762 MUST only be used for foreign service income.
3713 (3763)	Other allowances (PAYE)	All other allowances, which do not comply with any of the descriptions listed under allowances, must be added together and reflected under this code on the certificate. Code 3763 MUST only be used for foreign service income.
3714 (3764)	Other allowances (Excl)	All other non-taxable allowances, which do not comply with any of the descriptions listed under allowances, must be added together and reflected under this code on the certificate. Code 3764 MUST only be used for foreign service income.
3715 (3765)	Subsistence allowance – foreign travel (IT)	An allowance paid for expenses in respect of meals and / or incidental costs for foreign travel, which exceeds the deemed amounts. Code 3765 MUST only be used for foreign service income.
3716 (3766)	Subsistence allowance – foreign travel (Excl)	An allowance paid for expenses in respect of meals and / or incidental costs for foreign travel, which does not exceeds the deemed amounts. Code 3766 MUST only be used for foreign service income.

CODE	DESCRIPTION	EXPLANATION
3717 (3767)	Broad-based employee share plan (PAYE)	An amount received / accrued from the disposal of any qualifying equity share or any right of interest in a qualifying equity share in terms of certain conditions. Code 3767 MUST only be used for foreign service income.
3718 (3768)	Vesting of equity instruments (PAYE)	Any gain in respect of the vesting of any equity instrument. Code 3768 MUST only be used for foreign service income.

8.4 FRINGE BENEFIT CODES

CODE	DESCRIPTION	EXPLANATION
3801 (3851)	Acquisition of asset (PAYE)	Acquisition of an asset at less than the actual value and / or insurance policies ceded. Code 3851 MUST only be used for foreign service income.
3802 (3852)	Use of motor vehicle (PAYE)	Right of use of a motor vehicle. Code 3852 MUST only be used for foreign service income.
3803 (3853)	Use of asset (PAYE)	Right of use of an asset (other than a motor vehicle). Code 3853 MUST only be used for foreign service income.
3804 (3854)	Meals, etc (PAYE)	Meals, refreshments and meal and refreshment vouchers. Code 3854 MUST only be used for foreign service income.
3805 (3855)	Accommodation (PAYE)	Free or cheap accommodation or holiday accommodation. Code 3855 MUST only be used for foreign service income.
3806 (3856)	Services (PAYE)	Free or cheap services. Code 3856 MUST only be used for foreign service income.
3807 (3857)	Loans or subsidy (PAYE)	Low interest or interest free loans and subsidy. Code 3857 MUST only be used for foreign service income.
3808 (3858)	Employee's debt (PAYE)	Payment of an employee's debt or release an employee from an obligation to pay a debt. Code 3858 MUST only be used for foreign service income.
3809 (3859)	Bursaries or scholarships (PAYE)	Bursaries and scholarships. Code 3859 MUST only be used for foreign service income.
3810 (3860)	Medical aid contributions (PAYE)	Medical aid contributions paid on behalf of an employee. Code 3860 MUST only be used for foreign service income.
3813 (3863)	Medical services costs (PAYE)	Medical costs incurred on behalf of an employee in respect of medical, dental and similar services, hospital and / or nursing services or medicine. Code 3863 MUST only be used for foreign service income.

8.5 LUMP SUM CODES

CODE	DESCRIPTION	EXPLANATION
3901 (3951)	Gratuities (PAYE)	Gratuities (retirement / retrenchment). Code 3951 MUST only be used for foreign service income.
3902 (3952)	Pension / RAF (PAYE)	Pension fund / RAF lump sum (resignation, transfer, surplus apportionment, etc.). Code 3952 MUST only be used for foreign service income.
3903 (3953)	Pension / RAF (PAYE)	Pension fund / RAF lump sum on retirement or death before 1 October 2007. Code 3953 MUST only be used for foreign service income.
3904 (3954)	Provident (PAYE)	Provident fund lump sum (resignation, transfer, surplus apportionment, etc.). Code 3954 MUST only be used for foreign service income.
3905 (3955)	Provident (PAYE)	Provident fund lump sum on retirement or death before 1 October 2007. Code 3955 MUST only be used for foreign service income.
3906 (3956)	Special Remuneration (PAYE)	Special remuneration (e.g. proto-teams). Code 3956 MUST only be used for foreign service income.

CODE	DESCRIPTION	EXPLANATION
3907 (3957)	Other lump sums (PAYE)	Other lump sums (e.g. backdated salaries extended over previous tax years, not approved funds). Code 3957 MUST only be used for foreign service income.
3908	Surplus apportionments (PAYE)	Surplus apportionments on or after 1 January 2006. Only valid from 2007 year of assessment.
3909	Unclaimed benefits (PAYE)	Unclaimed benefits paid by a fund. Only valid from 2008.
3915	Retirement lump sum benefits (PAYE)	Retirement fund (pension / RAF / provident fund) lump sum benefits on retirement or death on or after 1 October 2007.

8.6 GROSS REMUNERATION CODES

CODE	DESCRIPTION
3695	Gross taxable annual payments (annual payments and backdated salary for previous years)
3696	Gross non-taxable income (amounts under codes 3602, 3604, 3609, 3612, 3703, 3705, 3709, 3714, 3716, 3652, 3654, 3659, 3662, 3753, 3755, 3759, 3764 and 3766).
3697	Gross retirement funding employment income
3698	Gross non-retirement funding employment income
3699	Gross remuneration (amounts under codes 3697 and 3698)

8.7 DEDUCTION CODES

CODE	DESCRIPTION
4001	Current pension fund contributions
4002	Arrear pension fund contributions
4003	Current provident fund contributions
4004	Arrear provident fund contributions
4005	Medical aid contributions
4006	Current retirement annuity fund contributions
4007	Arrear (re-instated) retirement annuity fund contributions
4018	Premiums paid for loss of income policies
4024	Medical services costs deemed to be paid by the employee in respect of himself / herself, spouse or child
4025	Medical contribution paid by employee allowed as a deduction for employees' tax purposes
4026	Arrear pension fund contributions – Non-statutory forces (NSF)
4472	Employer's pension fund contributions
4473	Employer's provident fund contributions
4474	Employer's medical aid contributions in respect of active employees
4485	Medical services costs deemed to be paid by the employee in respect of other relatives
4486	Capped amount determined in terms of Section 18(2)(c)(i)
4487	No value benefits in respect of medical services provided or incurred by the employer
4493	Employer's medical aid contributions in respect of retired employees to whom the "no value" provisions in the 7th Schedule apply

8.8 EMPLOYEES' TAX DEDUCTION AND REASON CODES

CODE	DESCRIPTION
4101	SITE (Standard Income Tax on Employees)
4102	PAYE (Pay-As-You-Earn)
4103	Total employees' tax
4115	Tax on retirement lump sum benefits
4150	01 or 1 = Invalid from 1 March 2002
	02 or 2 = Earn less than the tax threshold
	03 or 3 = Independent contractor
	04 or 4 = Non taxable earnings (including nil directives)
	05 or 5 = Exempt foreign employment income
	06 or 6 = Directors remuneration – income determined in the following tax year (only valid from 1 March 2002)
	07 or 7 = Labour Broker with valid IRP30 (only valid from 1 March 2004)

