How cloud payroll can take the pain out of bi-annual tax submissions

It's that time of year again - the interim PAYE Employer Reconciliation period for the 2022 tax year opens on 13 September 2021, with the deadline for filing the reconciliation on 31 October 2021.

Christine Painter, head of compliance at PaySpace

Although the practice of submission is thought to be laborious and time consuming, it can be a breeze if all the company's data is in order, says Christine Painter, head of compliance at payroll and HR software provider, PaySpace.

"Capturing all the submission data by hand can undoubtedly be an onerous task, but it's straightforward if you have a cloud-based, fully automated, payroll solution in place, and one that ensures EMP501 declarations are correctly submitted to Sars," she adds.

Painter explains that the declaration reconciles the annual Pay-As-You-Earn (PAYE), Skills Development Levy (SDL), Unemployment Insurance Fund (UIF), and Employment Tax Incentive (ETI) – amounts withheld and/or contributed. "This includes a reconciliation of the amounts declared throughout the tax year on the EMP201, amounts paid to Sars in relation to the EMP201 declarations, and the total amounts declared on the employee tax certificates, covering the first half of the tax year from 1 March 2021 to 31 August 2021."

She stresses that it is critical to ensure that there are no discrepancies between what has been declared on the EMP201 for the reconciliation period, and what has been paid. "Should there be any inconsistencies, Sars will ask for an explanation when submitting the EMP501 declaration and further action may be required from the employer. Should there be found to be an underpayment to Sars, penalties and interest may be levied, which is why having accurate and up to date payroll information for each employee is vital."

Importance of back-ups

Speaking of the pain points to avoid, Painter says backups are essential when it comes to the Sars e@syFile software which is used to submit declarations and employee tax certificates. All employers should make sure they backup their data regularly to prevent data loss or corruption, should hardware or software malfunction or if the e@syFile version update process fails. "In addition, employers must always check the status of submissions to ensure their EMP501 has been successfully filed at Sars."

In addition, she advises organisations to never miss the deadline, as anyone filing a late EMP501 will be penalised under the provisions of paragraph 14(6) of the Fourth Schedule to the Income Tax Act and may face a penalty of up to 10% of the year's PAYE liability.

"Payroll data is the basis upon which an employer complies with the governing legislation in terms of employment law and taxation, and enables Sars to assess compliance. Be mindful, the burden of proof lies with the employer should Sars request supporting documents for assessment, verification, or audit. Payroll records must be retained by the employer for a period of five years from the date of submission of a return."

Having a cloud payroll system can help organisations avoid these pain points, she says. "Having a true-cloud software-as-a-service (SaaS) provider that takes care of payroll data, without the burden of payroll backups and thereby eliminating the possibility of the loss or corruption of valuable employee information is invaluable."

Automatic legislative updates

In addition, a single instance, multi-tenanted application ensures that any changes to legislation are immediately updated by the provider, giving customers peace of mind that they are always fully compliant. Moreover, the customer does not need to load any updates or changes, or make any backups – saving them time and money. "With tight deadlines looming, it reduces pressure on the payroll office and administrators," Painter says.

Finally, she says it's worth noting that tax certificates such as IRP5/IT3as relating to this interim PAYE Employer Reconciliation submission are not issued to employees by the employer, and the tax certificate data is only provided to Sars for reconciliation purposes.

"Tax certificates will only be provided to employees by the employer after the Annual PAYE Employer Reconciliation submission at the end of the tax year."

Ultimately, Painter says, the best way to manage submissions is to make sure that all payroll information is constantly up-to-date and accurate, which happens automatically with the right, true-cloud payroll solution in place.