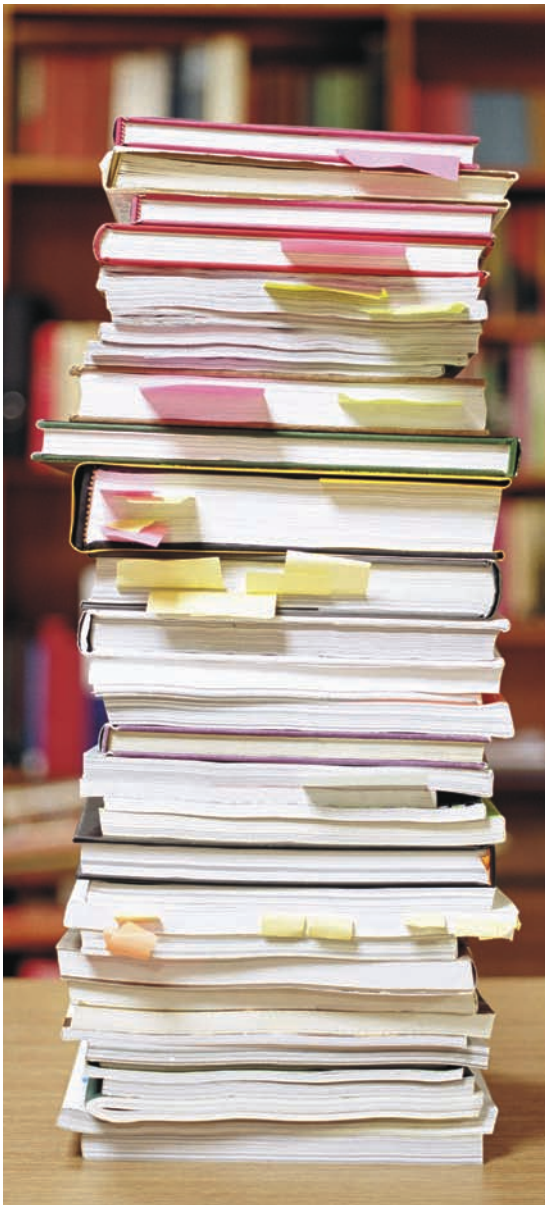


Tax Alert

21 May 2008

PAYE - 60 days and counting

After much anticipation, details of the 2008 Tax Season have finally been announced, with specific emphasis on the Personal Income Tax (PIT) system. In the words of Finance Minister Trevor Manuel, the changes are brought about in the spirit of creating better citizenship and a better democracy in our country, characterised by faith, optimal transparency, goodwill and trust.



In 2007 the South African Revenue Service (SARS) implemented the first phase of the “PIT Reform Programme” and significant improvements were made in terms of providing better service to taxpayers and earlier detection of non-compliant behaviour.

In SARS’s feedback on the 2007 Tax Year, it became apparent that Pay-As-You-Earn (PAYE) constitutes about 90% of PIT, and PIT contributes to 30% of revenue, which amounts to approximately R160 billion. As indicated in our previous Tax Alert of 18 April 2008, the ultimate goal of SARS is the integration of payroll data as reflected on IRP 5 certificates in the IT 12 tax returns.

The object of the 2008 PIT Reform Programme will be to present the majority of taxpayers with a pre-populated tax return, which must be verified by the taxpayer, corrected where required and filed with SARS. This differs from the current system where individual taxpayers provide

SARS with a self-completed return, with data obtained from third parties. This is a complete transformation of the entire PAYE dispensation.

SARS’s aspirations for 2008 consequently involve building successful relationships between employers and SARS as “partners”. SARS will provide employees with free PAYE software to assist with the required paperwork and electronic transfer of information – so that all important details will be apparent and clear on the IRP 5 tax certificates and the IRP501 declaration of an employer.

Perhaps one of the most important shifts in the new PIT Reform Programme is that employees will not be able to receive or submit their tax return or be assessed if their employer has not submitted their IRP 501 reconciliation and declaration to SARS.

How do these changes affect you as an employer?

There will be emphasis on the legal obligation of employers, who administer payroll taxes. Employers will now have to submit annual PAYE declarations to SARS reflecting all statutory deductions made from the salaries of employees and whether these have been paid over to SARS on behalf of the employees.

Employers will be responsible for the reconciliation of mismatches on the IRP 5 tax certificates.

Employers will be responsible for ensuring that their payroll system parameters for PAYE purposes are correctly configured, in order to process and generate accurate and reliable information.

Employers who do not comply by 29 August 2008 will face strong penalties.

Important dates to remember for the 2008 Tax Season

15 May – 30 June 2008

Preparation period for businesses and individuals to acquaint themselves with new documents, requirements and procedures.

1 July – 29 August 2008

Companies have a 60-day window period to submit employer PAYE deductions (IRP501) to SARS. Please

note that employees cannot receive or submit their tax returns to SARS until employers complete and submit their PAYE declarations to SARS.

SARS will provide employers with free software for automated payroll reconciliations.

Payroll information provided by employers to SARS will allow SARS to issue the majority of taxpayers with pre-populated returns, already containing income they've earned.

1 September 2008

Individual taxpayers MUST request a manual return from SARS and can do so as from 1 September 2008.

21 November 2008

Deadline for submission of manual returns.

29 January 2008

Deadline for submission of electronic returns.

Please contact any of the following people regarding the new PAYE process and your payroll disclosure:

Elriette Butler	(011) 797 5861
Cinzia de Risi	(011) 797 5214
Hanre Bester	(011) 797 4622

The following people will be able to assist you with Expatriate Tax Compliance, which will also be affected by the new filing requirements:

Samantha Grobler	(011) 797 4615
Gavin Duffy	(011) 797 4271
Maggie Hlatshwayo	(011) 797 5559

The Tax Alert is designed to keep you abreast of developments and is not intended to be a comprehensive statement of the law. It should not be relied upon as a substitute for specific advice in considering the tax effects of particular transactions. No liability is accepted for errors or opinions contained herein.