

# Tax Alert

30 June 2008

## Changes to IRP5 submissions – “modernisation” of PAYE

*As part of the South African Revenue Service's (SARS) 2008 “PIT Reform Programme” it was announced that the submission and reconciliation of employees' tax certificates (IRP5s) will in future be automated. The changes will impact all employers, with much of the administrative burden surrounding the submission and reconciliation of IRP5s having been shifted to employers.*

In most cases, employers will be required to install new software to enable them to submit IRP5 certificate information to SARS electronically. According to SARS, this software will be made available from 1 July 2008 and should be compatible with all major payroll systems.

The following aspects of the new software should be noted:

### Overview of new SARS software

SARS has advised that the new software will run on the Windows and Mac operating systems and has been developed in the Adobe Acrobat integrated runtime environment, which requires the presence of Adobe Reader version 8.1.

When installed, it will allow the creation of three users. One of these users (the administrative user) will be able to clear and reset the other two users' registration details and passwords. The administrative user's password cannot be reset. It is therefore important that this password be kept somewhere safe in case of an emergency.

When users are created, a prompt will be raised as to whether the user would like to edit information imported from a Comma Separated Value (CSV) payroll file. As tax certificates will, in future, be imported from the payroll system, selecting this option will enable users to edit information on imported tax certificates after they have been imported from the payroll system, but prior to

submission to SARS. If this is done, it will result in two versions of the tax certificates being on record, i.e. those on the payroll system and those submitted to SARS. This edit function does not have an “audit trail history” that can be used to keep track of such changes, which will make later attempts to reconcile the two versions very difficult. In order to avoid this problem, users should rather consider deleting the imported CSV files, rectifying the error on their payroll and then re-importing the updated CSV file.



Scenes like this are fast becoming a thing of the past

In future, manual tax certificates will need to be electronically captured by users. The SARS software contains a self-assessment function, which calculates the PAYE withheld as per the imported CSV certificates and captured manual certificates and compares it to the actual PAYE withheld on a monthly basis and paid over to SARS. Differences must be reconciled, after which the tax certificates and the PAYE reconciliation must be submitted to SARS electronically. The current PAYE reconciliation (IRP501) will be replaced with a new-look EMP501 declaration. It is important to note that, although this needs to be submitted electronically, SARS also requires that a hard copy be printed, signed and submitted to SARS.

### What do I, as employer, have to be aware of prior to the installation of SARS's software?

As SARS's software will validate the CSV payroll file when it is imported and identify any errors, it is important to ensure that this validation process runs smoothly.

The validation rules for CSV payroll files remain as currently prescribed by SARS in the EMP10 Employers Guide. There are, however, a number of new validation processes that will be followed, i.e. identification numbers of employees, tax reference numbers of employees and four-digit postal codes.

As identification numbers and tax reference numbers are not mandatory fields for the 2008 tax year, but will be validated should there be values contained in these fields, employers should consider not completing these fields unless they are certain that the information supplied is correct.

### The importance of submission and reconciliation of IRP5s

SARS has advised that IRP5 submissions and EMP501 declarations must be submitted to SARS by 29 August 2008, failing which severe penalties will be imposed on employers.

In addition, SARS advised that employees will not be given credit for PAYE paid until their employers have submitted and reconciled IRP5 certificates to SARS.

Employers should therefore consider obtaining the new software as soon as it becomes available and should familiarise themselves with its requirements to ensure that any problems they may encounter are dealt with in a timely manner. This is important, as SARS has indicated that it will not accept software problems as a reason for the late submission of the IRP5 certificates and reconciliations.

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