

# **SARS JOURNEY “EMPLOYMENT TAXES”**

SAPA YEAR-END BREAKFAST  
PRESENTATION

10 November 2010



*South African Revenue Service*

# BACKGROUND – RECON PROCESS

- PRE-1999
  - All manual process
- 1999 – 2007
  - CSV files for payrolls
  - Data testing (error reports)
  - Semi-automated process
- 2008 (modernisation)
  - Scanning, e@syfile, eFiling (kept CSV formats)



# Since 2008 (Modernisation)

- Introduce new ADOBE forms for scanning purposes
- e@syFile software include -
  - EMP501, IRP5/IT3(a), EMP601
  - Add EMP701
  - Add EMP201, ITREG, status, XML change to ZIP
- eFiling include-
  - EMP201, submission of XML/ZIP, Status, ITREG



# WHY MODERNISATION

- To improve service
  - Simplification
  - Automation
  - Processing times (income tax assessments, etc.)
- To address non-compliant behaviour
- Enable pre-population of income tax returns
- Improve reconciliation processing
- Verification of data (against 3<sup>rd</sup> party info)
- Reduce errors (capture, etc.)



# STATISTICS

2008

- 71% employer submitted (>15 million cert's)
- Channels

	<u>RECONS</u>	<u>CERTIFICATES</u>
– Manual	23%	7%
– Electronic	77%	93%
• eFiling	54%	35%
• Other media	23%	58%

Note: Figure in brackets indicate the previous year's percentages



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# STATISTICS

2009

- 60% employer submitted (15 million cert's)
- Channels

	<u>RECONS</u>	<u>CERTIFICATES</u>
– Manual	6% (23)	3% (7)
– Electronic	94% (77)	97% (93)
• eFiling	72% (54)	47% (35)
• Other media	22% (23)	50% (58)

Note: Figure in brackets indicate the previous year's percentages



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# STATISTICS

2010

- 64% employer submitted (15 million cert's)
- Channels

	<u>RECONS</u>	<u>CERTIFICATES</u>
– Manual	3% (6)	1% (3)
– Electronic	97% (94)	99% (97)
• eFiling	81% (72)	59% (47)
• Other media	16% (22)	40% (50)

Note: Figure in brackets indicate the previous year's percentages



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# STATISTICS

2011

- 55% employer submitted (11 million cert's)
- Channels

	<u>RECONS</u>	<u>CERTIFICATES</u>
– Manual	0,8% (3)	0,1% (1)
– Electronic	99,2% (97)	99,9% (99)
• eFiling	87,1% (81)	69,8% (59)
• Other media	12,1% (16)	30,1% (40)

Note: Figure in brackets indicate the previous year's percentages



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# ISSUES

- Completion of EMP201
- Corrections on EMP201
- Payment matching
  - Initial payment
  - Payment reallocation
  - Credit allocation
  - Payment towards existing debt
  - Payment towards existing penalty and interest

# COMPLETION OF EMP201

- Previous (pre-Adobe format)
  - Not accepted from 1/7/2010
  - Due to be outstanding (possible penalty)
- Payment and allocations not equal
  - Result in unallocated payments
- Revised EMP201's not completed correctly
  - Result in debits on the account; or
  - Result in unallocated payments

# INITIAL EMP201 & PAYMENT

## RULE:

- Total payment must be EQUAL to allocation
  - Payment = PAYE + SDL + UIF

## ACCOUNT ALLOCATION:

- Payment > allocation
  - Portion of payment equal to debit (unallocated portion)
- Payment < allocation
  - Allocate payment (1<sup>st</sup> PAYE - 2<sup>nd</sup> UIF – 3<sup>rd</sup> SDL) – debit result



# REVISED EMP201 (INCREASE/DECREASE)

Allocation on initial EMP201 < Actual payment

- eFiling
  - Access EMP201 submitted & Request correction option
  - Complete full amount of what the allocation should be (not difference)
- Manual
  - Complete EMP201 (Period & PRN same as initial EMP201)
  - Complete full amount of what the allocation should be (not difference)



# REVISED EMP201 EXAMPLE

## Initial EMP201

### Payment Details

Payment Reference No.	A B C 1 0 0 0 1 L E 0 1 2 3 4 5 6 7 8	Payment Period (CCYYMM)	2 0 1 0 0 3	Total R					1 2 5 0 0 , 0 0
PAYE R									1 2 0 0 0 , 0 0
SDL R									5 0 0 , 0 0
UIF R									

- Employer complete initial EMP201 and submit
- Employer make payment the next day – R500 more than allocation

## Revised EMP201

### Payment Details

Payment Reference No.	A B C 1 0 0 0 1 L E 0 1 2 3 4 5 6 7 8	Payment Period (CCYYMM)	2 0 1 0 0 3	Total R					1 3 0 0 0 , 0 0
PAYE R									1 2 5 0 0 , 0 0
SDL R									5 0 0 , 0 0
UIF R									



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# ALLOCATION OF CREDIT (overpayment)

## Allocation on revised EMP201 < Actual payment

- eFiling
  - Follow on screen prompts for excess amount
  - Automatically create EMP201 adjustment
- Manual
  - Complete EMP201
    - PRN of period with credit
    - Period – to which credit must be allocated
    - If previous EMP201 for period to which credit must be allocated
      - Increase last completed allocation amounts with the credit amount
    - If no EMP201 exists for period to which credit must be allocated
      - Complete only the credit amount as an allocation



# CREDIT ALLOCATION EXAMPLE

## Initial EMP201

### Payment Details

Payment Reference No.	A B C 1 0 0 0 1 L E 0 1 2 3 4 5 6 7 8	Payment Period (CCYYMM)	2 0 1 0 0 3	Total R	1 3 0 0 0 , 0 0
PAYE R	1 2 5 0 0 , 0 0	SDL R	5 0 0 , 0 0	UIF R	

- Employer made R15000 payment (R2000 excess)
- Excess to be allocated to next period

## Initial EMP201 for allocation to next period

### Payment Details

Payment Reference No.	A B C 1 0 0 0 1 L E 0 1 2 3 4 5 6 7 8	Payment Period (CCYYMM)	2 0 1 0 0 4	Total R	2 0 0 0 , 0 0
PAYE R	2 0 0 0 , 0 0	SDL R		UIF R	



# PAYMENTS FOR EXISTING DEBT

DEBT – no Adobe EMP201 submitted / penalty & interest

- Payment reference number – if period of debt is known (pre- March 2010)
  - PAYE: Reference number + L + 00 + period
  - SDL : Reference number + G + 00 + period
  - UIF: Reference number + U + 00 + period
- Payment reference number – if period of debt is unknown / various debt periods / interest and penalty
  - Same reference number as above but REPLACE PERIOD with 000000





# FUTURE CHANGES

- Introduction of “Statement of Account” – EMPSA
- Payment mismatch allocation functionality
- EMP301 – notification of penalty & interest with late payment & EMP201

