Ref: # 280051
Submission File

13 August 2009

South African Revenue Service
Private Bag X923
PRETORIA
0001

BY E-MAIL: employerunit@sars.gov.za

Dear Sir/Madam

CALL FOR COMMENT: PAYE REFORM
We refer to the above-mentioned call for comment. Enclosed is the SAICA National Tax Committee’s submission on the matter.

The improvements the South African Revenue Service (“SARS”) introduced to the PAYE reconciliation process since 2007 are appreciated. These changes have been substantive and innovative. However, in many instances the implementation of the changes was problematic due to shortcomings in the software, and SARS’ support services sometimes being unable to resolve all the problems relating to the introduction of the new system.

Consequently, we request SARS to limit the changes, if any, to be introduced in the 2011 year of assessment. This would create an opportunity for taxpayers to familiarise themselves with the new system in order to become compliant, whilst SARS will have an opportunity to sufficiently address the shortcomings of the existing system.

1) Business Requirements Specification: PAYE Reconciliation 2010

a) On page 8 points 3 and 4 refer to a restriction in the number of income and deduction codes to be used in future. Accordingly, certain codes have been specified as “sub-codes” and their values consolidated into “main” source codes. The sub-codes can be used in the payroll system, but may not be written in the CSV file. We are in agreement with the consolidation of codes, but we request that the sub-codes should be written in the CSV file. Without the sub-codes, the IRP 5 certificates risk becoming too general to facilitate proper income tax return completion and submission.

b) On page 8 point 5 it is advised that the IRP5 may now contain both local and foreign income. This application should be clarified - does it mean that foreign sourced income can be disclosed in ZAR, or does it mean that foreign sourced
income can be disclosed in the relevant foreign currency? We require further explanation in this regard.

2) **New requirements for additional information that must be disclosed on the IRP5 certificate:**
   
   a) A contact person for the employer must be provided. The designation of such a person (e.g., Public Officer), as well as the assistance that such a person will be required to render to SARS must be clarified. This may not be practical since the designated person may change. In our view, a contact telephone number should suffice.
   
   b) The employee’s email address is also required. Many employees do not have access to email. Further, email addresses change frequently and will be disclosed in the employee’s individual income tax return.
   
   c) The employees’ home telephone number, cell phone number, fax number and residential address are to be provided. Such information will be disclosed in the employees’ individual income tax returns, to which the IRP5 tax certificates will be linked and, therefore, this information will already be available to SARS.
   
   For many employers obtaining and updating all this information will be very time-consuming, since these details constantly change. It is not clear what the disclosure would be that would be required to be made when an employee does not have access to all these forms of communication (e.g., a fax number or cell phone number) must be clarified.
   
   d) The employees’ bank account details are also to be disclosed. In our view, there is no need to disclose such sensitive information on the IRP5 certificate, since these details are contained in the individual income tax returns to which IRP5 certificates are linked.

The purpose of the additional disclosure requirements on IRP5 certificates seems to be aimed at enabling SARS to populate not only employment details, but also the personal details of taxpayers on individual income tax returns. We are of the view that the IRP5 certificate is not the correct medium for this, because such personal information will then be accessible to many people and will thus no longer be confidential, thereby exposing employees to potential risk.

3) **Mandatory Information - IRP5 changes**

   **Addresses in a defined format**
There are unlikely to be problems in changing addresses on payroll systems to a defined format. However, there is a potential risk when

- Employees do not give employers their updated addresses;

- In the past, employees have given SARS either their residential or postal address to which the tax returns should be posted. Employers would not know which address to use on the IRP5 for SARS purposes. It would have to be either the residential or the postal address and employers would not be able to validate it.

**Compulsory tax reference number**
Employees in some cases refuse to give their tax reference numbers to human resources or they do not register for tax purposes.

**Compulsory Banking Details**
The SAP IRP5 generation program is normally run after the February payroll which means that there is a high risk that the address and bank detail information would have changed during the tax year end (28th February) and the final generation of the IRP5 period.

The resignation bank record on SAP is normally changed to a cherub to avoid any major problems caused by employees, changing their bank details, after resigning. To give SARS the last known bank record for employees who resign or in the situation of death could prove to be an extremely dangerous practice.

**Compulsory ID numbers**
There are a few employees on the SAP system who do not have bar-coded I.D’s. Employers could send an email to the existing employees to change from the old to the new format but employers would have great difficulty in changing employees who have resigned. Employers cannot assume to change an employees 12th digit on his ID to conform to SARS’ rejection process, as the employee could provoke an objection that the employer changed his ID number.

**Privacy Act**
In accordance with the Privacy Act employers are not allowed to give out employee details without the employees’ permission and SARS may use the bank detail information not only to credit an employee but also to deduct any deficits.

We are of the view that the employer should not be penalised should the employer due to the above practical difficulties, be unable to obtain all the necessary information from the employee.
Please do not hesitate to contact me should you wish to discuss the above.

Yours faithfully

Obakeng Mathibe  
**PROJECT MANAGER: TAX**  
*The South African Institute of Chartered Accountants*