

SAPA CONFERENCE 2014 PRACTICAL PAYROLL COMPUTATIONS

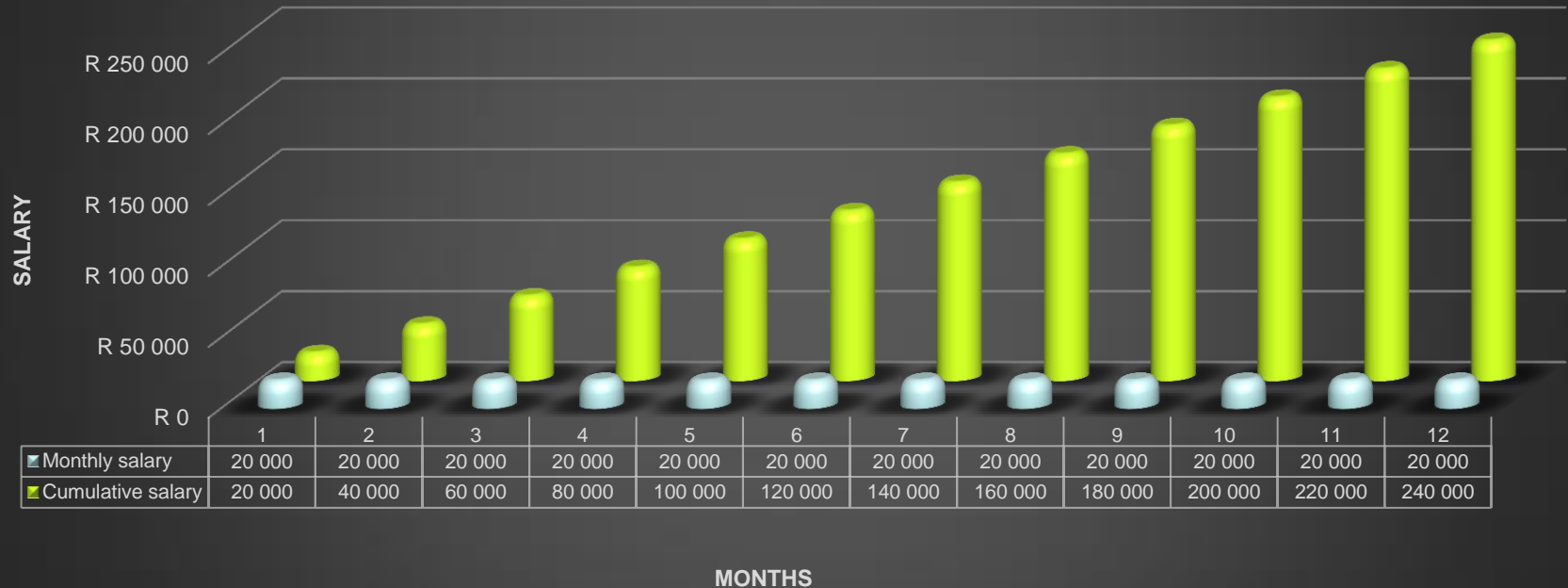


Basic payroll computations

1. Annualisation computation
2. Tax on lump sum payments
3. Remuneration vs. taxable income
4. Tax gross up computation
5. Payroll policy sign off

Annualisation computation

Monthly Salary Accumulation



Annualisation computation

Month	Cumulative salary	Tax
1	R 20 000	R 0

Taxable Income	Rate of tax
R0 – R174 550	18% of each R1
R174 551 – R272 700	R31 419 + 25% above
R272 701 – R377 450	R55 957 + 30% above
R377 451 – R528 000	R87 382 + 35% above
R528 001 – R673 100	R140 074 + 38% above
R673 101 and above	R195 212 + 40% above
Primary rebate: R12 726	

Annualisation computation

Month	Cumulative salary	Tax
1	R 20 000	R 0
2	R 40 000	R 0

Taxable Income	Rate of tax
R0 – R174 550	18% of each R1
R174 551 – R272 700	R31 419 + 25% above
R272 701 – R377 450	R55 957 + 30% above
R377 451 – R528 000	R87 382 + 35% above
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Primary rebate: R12 726	

Annualisation computation

Month	Cumulative salary	Tax
1	R 20 000	R 0
2	R 40 000	R 0
3	R 60 000	R 0
4	R 80 000	R 1 674

Taxable Income	Rate of tax
R0 – R174 550	18% of each R1
R174 551 – R272 700	R31 419 + 25% above
R272 701 – R377 450	R55 957 + 30% above
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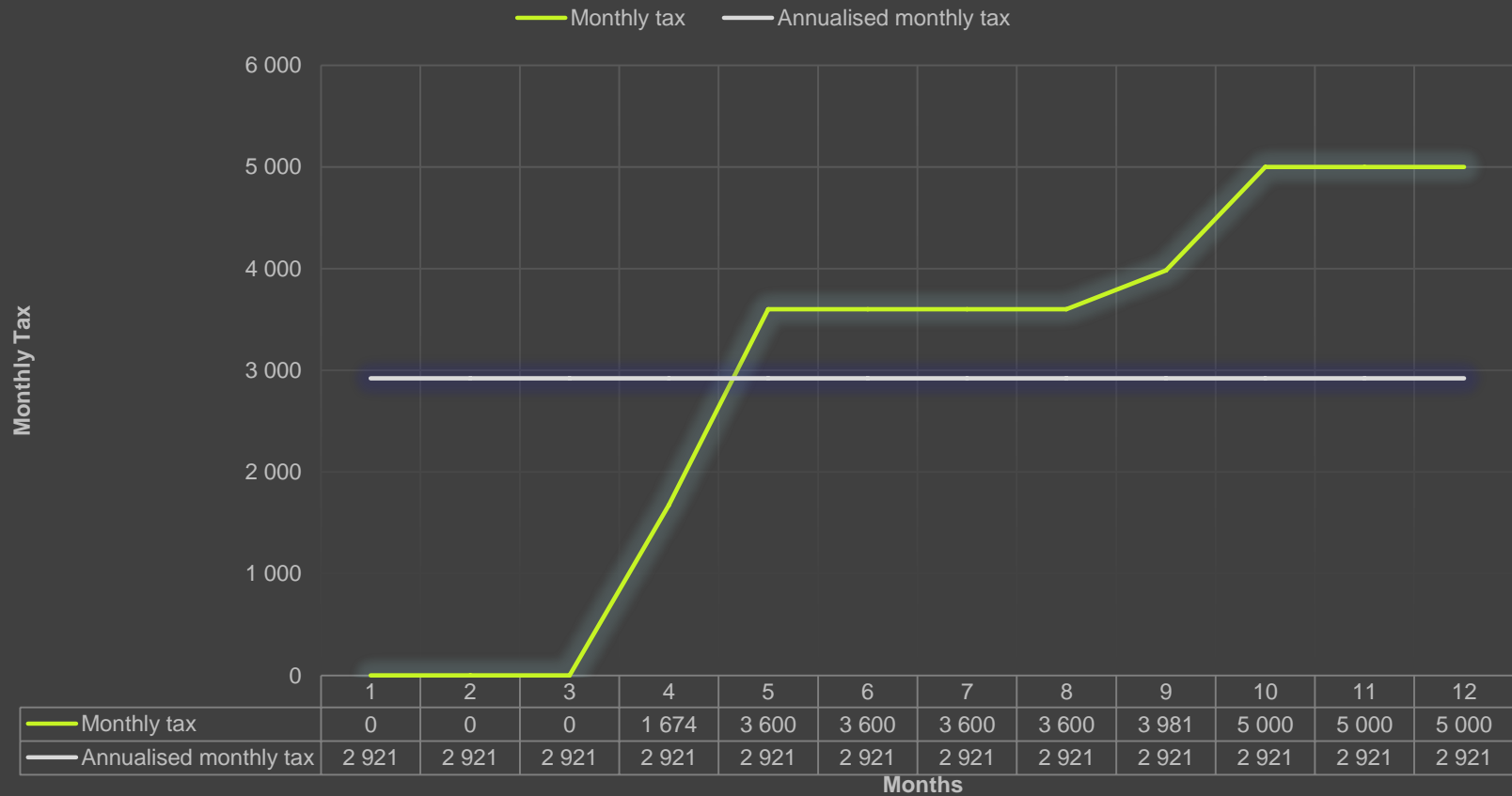
Annualisation computation

Month	Cumulative salary	Tax
1	R 20 000	R 0
2	R 40 000	R 0
3	R 60 000	R 0
4	R 80 000	R 1 674
5	R 100 000	R 3 600
6	R 120 000	R 3 600
7	R 140 000	R 3 600
8	R 160 000	R 3 600
9	R 180 000	R 3 981
10	R 200 000	R 5 000
11	R 220 000	R 5 000
12	R 240 000	R 5 000

Taxable Income	Rate of tax
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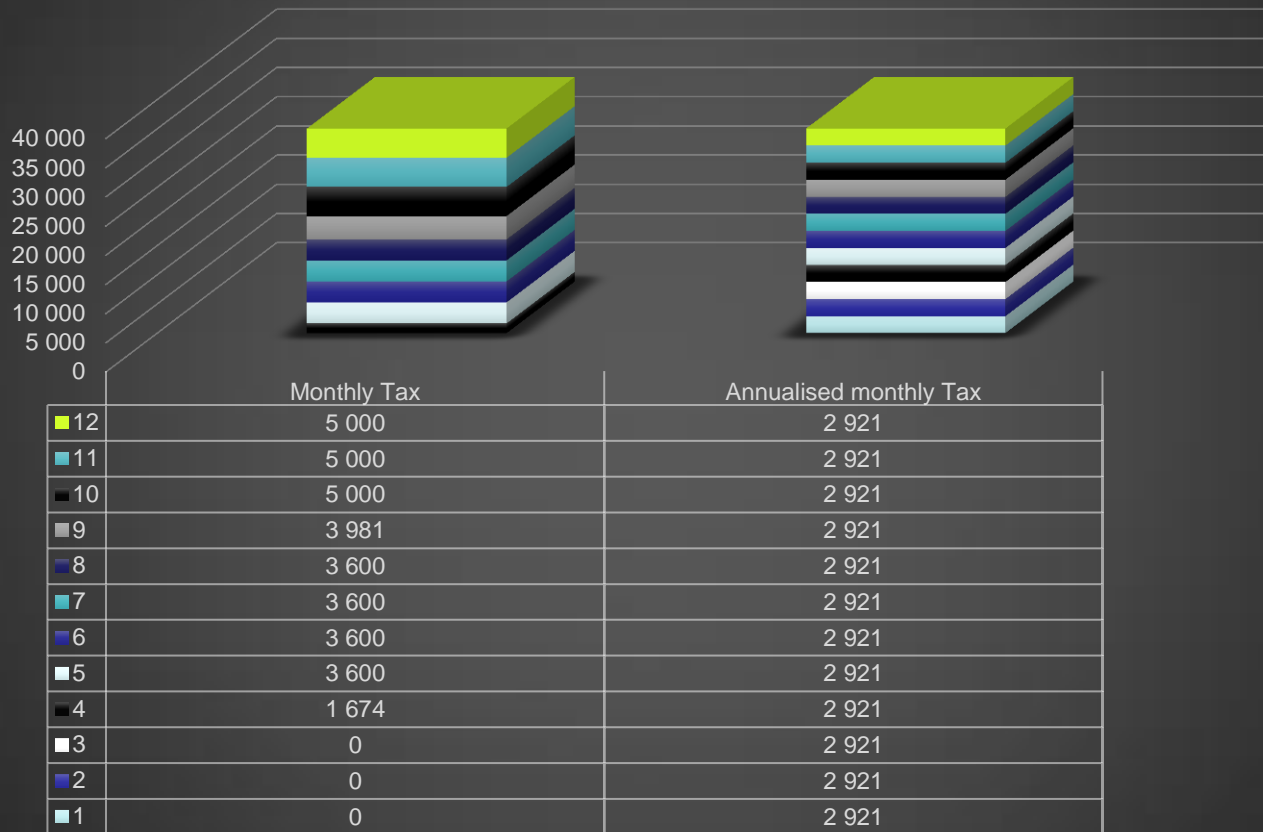
Annualisation computation

Monthly Tax vs. Annualised Monthly Tax



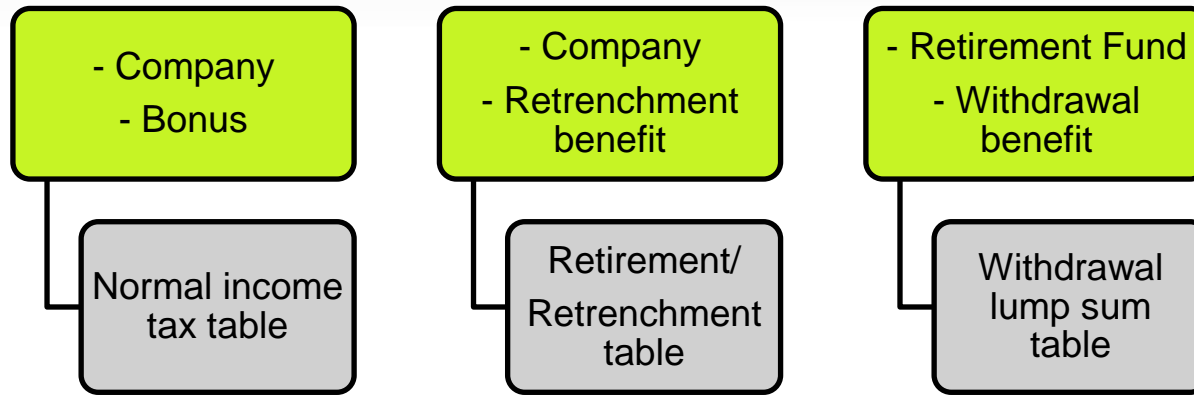
Annualisation computation

Monthly Tax vs. Annualised Monthly Tax



Taxation of lump sum payments

- Three different tax tables
- Applicable tax table will depend on the following:
 1. Party making the payment
 2. Reason for the payment



Remuneration vs. taxable income

“27.5% of higher of the person’s (A) remuneration [other than some lump sum withdrawals] as defined in paragraph 1 of the Fourth Schedule ... (B) taxable income [other than some lump sum withdrawals] as determined before allowing any deductions under this paragraph [section 11]”

1. Remuneration is what PAYE is computed on, before retirement or donation deduction.
2. The employer will only focus on remuneration and not on taxable income. Taxable income is confidential.

Remuneration vs. taxable income

Example

Practical Example

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PAYROLL POLICY FOR SIGN OFF

Remuneration component	Reference to Income Tax Act	Taxable (Y/N)	Inclusion rate	Applicable tax table
Cash payments				
1 Salary	Fourth schedule, Definition of Remuneration	Y	100%	Income tax
2 Wage	Fourth schedule, Definition of Remuneration	Y	100%	Income tax
3 Bonus	Fourth schedule, Definition of Remuneration	Y	100%	Income tax
4 Leave encashment	Fourth schedule, Definition of Remuneration	Y	100%	Income tax
5 Overtime pay	Fourth schedule, Definition of Remuneration	Y	100%	Income tax
6 Commission	Fourth schedule, Definition of Remuneration	Y	100%	Income tax
7 Voluntary reward	Fourth schedule, Definition of Remuneration	Y	100%	Income tax
8 Restraint of trade payment	Fourth schedule, Definition of Remuneration	Y	100%	Income tax
9 Annuity payment	Fourth schedule, Definition of Remuneration	Y	100%	Income tax
10 Severance benefit	Fourth schedule, Definition of Remuneration	Y	100%	Lump sum
11 Pension fund retirement lump sum	Fourth schedule, Definition of Remuneration	Y	100%	Lump sum
12 Pension fund withdrawal lump sum	Fourth schedule, Definition of Remuneration	Y	100%	Lump sum withdrawal
13 Travel allowance	Fourth schedule, Definition of Remuneration	Y	80%/20%	Income tax
Benefits				
14 Asset e.g iPad	Seventh schedule, Par.6	Y	100%	Income tax
15 Use of motor vehicle	Seventh schedule, Par.7	Y	80%/20%	Income tax
16 Meal Voucher	Seventh schedule, Par.8	Y	100%	Income tax
17 Residential accommodation	Seventh schedule, Par.9	Y	100%	Income tax
18 Medical Aid Contribution	Seventh schedule, Par.12A	Y	100%	Income tax
19 Group Life Assurance Premium	Seventh schedule, Par.12C	Y	100%	Income tax
20 Income Protection Premium	Seventh schedule, Par.12C	Y	100%	Income tax
21 Employer Pension Fund Contribution	Seventh schedule, Par.12D	N	0%	Income tax
Deductions				
22 Employee Pension Fund Contribution	Par. 11(k)	N	0%	
23 Retirement Annuity contribution	Par. 11(n)	N		
24 Income Protection Premium	Seventh schedule, Par.12C	N	100%	

Questions