

## **Payroll considerations for small businesses**

The challenges that small businesses in South Africa face are unique and often complex. South African Payroll Association (SAPA) Executive, Arlene Leggat, says there are several things that small business owners should keep in mind regarding their payroll system, and their obligations to ensure they comply with the law, and set their businesses up for success as they grow and expand.

“Many times, a small business’ payroll evolves organically. When a company starts out, its payroll may consist of just a handful of employees. Only after the first person resigns or an employee gets dismissed do problematic pitfalls in a small and haphazard payroll system lead to major problems,” says Leggat.

### ***Responsibility towards employees and SARS***

A small business needs to register their business with SARS and all the relevant legislative bodies even if it is not yet paying tax. It may seem more efficient to simply pay employees from the company’s bank account without having to deal with all the administration involved with printing pay slips and deducting UIF, but this approach can lead to run-ins with the law.

“All employees are required by law to receive a pay slip, and to contribute to UIF. This may be an onerous task that seems unnecessary in the beginning, but if a dismissed, retrenched or disgruntled employee tries to claim UIF and can’t, there are serious repercussions for the business owner. Business owners who neglect to do this can be served with penalties and fines,” says Leggat.

Small business owners also need to make sure that whatever deductions are made to employees’ salaries are paid over to SARS. It can happen that a new or growing company runs into cashflow issues and neglects to pay the tax that has been deducted from workers to the revenue authority.

“Ignorance will not protect you against the law and neglecting to pay an employee’s tax to SARS constitutes fraudulent activity,” says Leggat.

### ***When to consider outsourcing***

While she doesn’t believe that outsourcing payroll and accounting duties is a sustainable solution for all businesses, Leggat believes it does make sense for many small companies who are either just starting out or growing.

“If your business is still new, then outsourcing your payroll needs to an accredited and experienced professional is advisable. This way, you have the peace of mind that comes with knowing someone is dealing with the authorities on your behalf, making sure your employees’ tax certificates are completed and submitted on time, and that a knowledgeable person is staying on top of everything for you,” says Leggat.

Instead of entrusting your payroll to a friend or acquaintance who only has limited knowledge of payroll systems and accounting, rather enlist in a course to upskill yourself on what your responsibilities are as a new business owner.

“There are many one-day courses offered by government institutions that are aimed at empowering entrepreneurs with the knowledge they need to set up their businesses and comply with South African legislation. Payroll and accounting may not be your core competencies, but your business is your responsibility and you need to be driving your payroll strategy correctly from the very beginning,” concludes Leggat.

**ENDS**

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**For more information on SAPA please visit:**

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