

CONTENT GUIDE

# The Quick Guide to Payroll Compliance

*Advice from the experts on how to manage and maintain compliance*



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# Staying informed

How are you keeping up with the ever-changing compliance factors impacting payroll functions?

Managing the many aspects of payroll compliance can be tricky with the landscape of rules changing so often. While changes to PAYE are routine, legislative complexity makes it difficult to keep tabs on everything.

The consequences for failure to maintain compliance hits businesses where they feel it most: their time and their wallets.



Inaccuracies in payroll means spending work hours checking and double-checking figures.



Small businesses can be penalised for incorrect payroll taxes.<sup>1</sup>

To protect your company from costly fines and possible litigation, you need to stay informed about employment laws, reporting rules, and other factors of compliance.

This guide looks at frequent compliance challenges as reported by payroll experts, and offers best practices and solutions to help your payroll function run smoothly and confidently.

<sup>1</sup>Payroll compliance: Navigating compliance mandates for business success (Sage.com)

# Tax-related compliance

## Most common payroll tax mistakes

### **Not keeping tabs on local legislation and requirements**

Globally, legislation is becoming more complex because of continual amendments. Even the most experienced payroll professionals turn to different resources to keep them up to date. Missing any important mandates can have significant repercussions for a business, which is why it's important to invest in resources with the expertise to keep you informed. We'll explore those options later in this guide.

### **Misclassifying employees and contractors**

Understanding worker classification and getting it right is important because it impacts income and employment tax. It also impacts whether the worker is entitled to applicable deductions and how their remuneration should be reported.

### **Late payments**

Deadlines are another complexity of payroll tax – specifically payment due dates. It's important to keep a calendar that outlines important dates, so nothing slips through the cracks.

### **No audit controls**

If you're not keeping up with local legislation and don't have a system in place to regularly check for compliance, your organisation is vulnerable to discovering inconsistencies when it's too late. Businesses that implement processes to control compliance are more prepared in case of an audit, and can catch costly inconsistencies in advance.

### **Data inaccuracies**

Businesses that use outdated tools to manage payroll data inherently need to spend more time double-checking their figures because of the higher margin of human error. 88% of spreadsheets contain significant errors that can result in overpayment, underpayment, and penalty.<sup>2</sup>

<sup>2</sup>Payroll compliance: Navigating compliance mandates for business success (Sage.com)

# Four tips for continuous compliance

## **TIP 1: Consider outsourcing**

If you don't have an in-house accountant or payroll expert, look for accountancy firms that can help you maintain up-to-date records, remit taxes, and file returns. They can also find discrepancies in records and give you advice.

Investigate the cost of having an outsourced payroll vendor take care of all your payroll needs. You'll find the easiest way to keep compliant is to have experts handling tasks like collecting your employee's time records, processing the payroll, submitting direct deposit, and even filing your taxes with the proper authorities.

## **TIP 2: Keep employees engaged and informed**

Ensure your employees understand their part in remaining compliant, such as adhering to your expenses policy or keeping their time records accurate. Explain to employees how to document expenses and time properly so you're not left exposed. Create a comprehensive set of policies and practices for all issues that affect employees' pay.

This will provide a useful guide for employees to follow when inquiring about additions or deductions to their earnings.

## **TIP 3: Adopt a self-service model for employees**

Speaking of personnel data accuracy, payroll teams can use a self-service platform for employees to document and track their personal information, work hours, sick leave, and time off requests. This ensures accuracy and frees up time to manage other payroll tasks.

Even if your payroll is outsourced you still can keep your employees engaged through various options for employee self-service portals. They can keep your workforce up on the latest releases, policies and procedures.

## **TIP 4: Implement automation**

Using software is a very popular avenue for managing payroll – and this has been a growth area in recent years with cloud software providing many benefits. Often the payroll software will be built from the ground up to consider regulatory requirements like local tax laws, making it more difficult to make a mistake.

You'll find that most outsourced payroll vendors have technology stacks that can automatically adjust to all the compliance twists and turns and other traditionally manual processes. In most cases they can take them off your plate and allow you to manage your business more closely.

# Regulatory compliance

## Personal data compliance

Maintaining the safety of your company's employee and payroll data is emphatically important in today's digital society. When you decide to outsource your payroll processes, you are allowing your payroll vendor to ensure the right security measures are in place and up to compliance standards.

## Personal data security checklist

Whether you outsource or not, here's a data safety compliance checklist to help you mitigate the most common data security mistakes:

### 1. Consolidate your personnel and payroll data.

If you currently have your personnel and/or payroll data in lots of different locations like spreadsheets, pull everything together into as few locations as possible. Keeping this data in one place will help your payroll team oversee it properly.

### 2. Adopt relevant rules and standards.

By adopting relevant rules and standards you can make some of the legislation's security requirements as they are updated and introduce new measures.

### 3. Consider all sorts of data.

It's a challenging proposition when it comes to payroll management, yet you need to consider lots of different types of data. How are you handling and storing timesheets? Emails or text messages from employees who are asking for holiday leave? Sick notes?

### 4. Handle payments more securely.

Do you leave printed payslips on your employees' desks? If your business is still using printed payslips, consider upgrading to electronic payslips where employees can securely access them – they need to put a password in, for example, before they can see them.

### 5. Employ or assign a data protection information officer if necessary.

Certain types of businesses will need to appoint or hire a data protection information officer (DPIO) who could be someone contracted from outside your business or an existing employee. Business examples include public authorities, firms that regularly monitor individuals on a large scale, and companies whose core activities involve the processing of special categories of personal data on a large scale. The DPIO will help you monitor internal compliance and inform your business on its data protection obligations.

### 6. Remember what data you can and can't collect.

Compliance means you won't be able to collect and store lots of personal data if there isn't a purpose for it and consent hasn't been given. Make sure your payroll team is collecting and processing only necessary personal data that is required for each purpose.

# Regulatory compliance



## **7. Give employees full visibility of data you hold about them.**

Your employees need to know what personal data of theirs your payroll team and business holds. Meanwhile, you will have to respond to requests for their personal data to either be rectified or erased. You do have the right to refuse excessive or unfounded personal data requests, however you will need to demonstrate how they are unfounded in your compliance documentation.

## **8. Create compliance privacy notices for your employees.**

Let your employees know what information they are entitled to as per any local requirement for transparency. This must be done in a way that's clear. Remember, you can't use your employees' data for a different purpose without notifying them. And you might need to offer simple functionality that allows your employees to opt out of the different ways you use their data.

# South African tax changes

## Tax Amendments



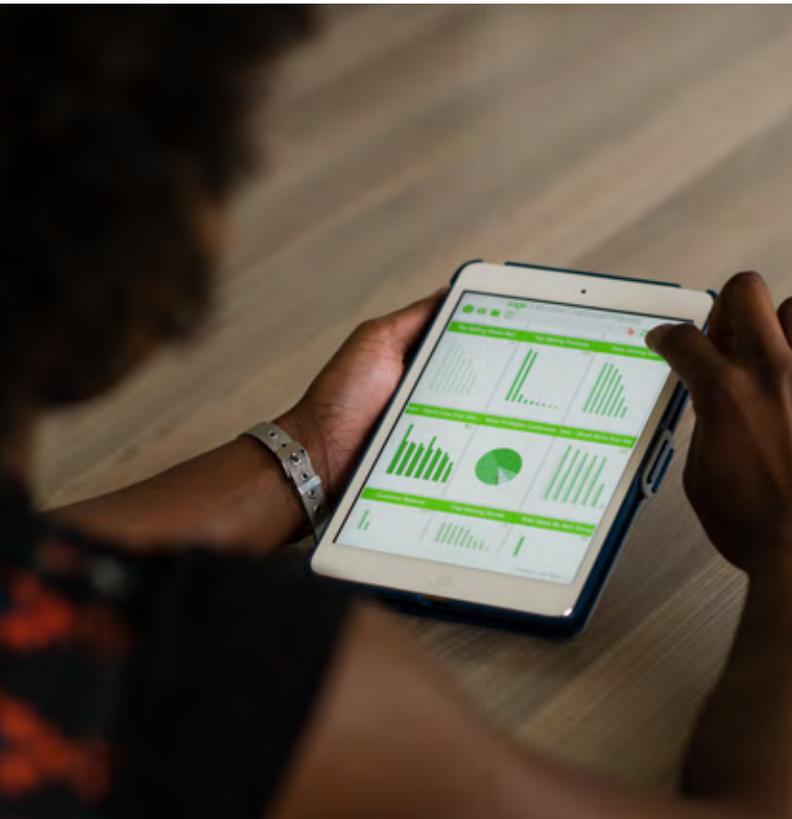
One of the biggest changes for SA payroll's this tax year is that remuneration now includes 100% of the portion of the reimbursive travel allowance that exceeds the prescribed rate per kilometre (rate per kilometre for the simplified method, fixed by the Minister of Finance by notice in the Gazette), and is subject to PAYE, UIF and SDL irrespective of the total business kilometres travelled and reimbursed for the tax year.

### Compliance summary

- Employees will take home a slightly lesser net pay if they are reimbursed at more than R3.61 per kilometre. Employers will have to reconsider the way they compensate employees for business travel.

# Keeping up with tax changes

Connect with the South African Revenue Service (SARS)



The SARS website has an extensive resource section that covers topics specific to employers.

## **Adopt payroll software**

Next-generation payroll software from Sage is automatically updated with the latest legislative requirements. This means you don't have to worry about applying those factors manually, saving you on time, accuracy, and costly penalties due to non-compliance.

# Reform around the globe

## Trust Sage for payroll compliance

Sage is a vendor you can trust, with a history of keeping our customers 100% compliant. In South Africa we have seen quite a few changes to the tax legislation over the past few years. Yet that's just the tip of all that is happening around the globe regarding payroll regulations and keeping companies compliant.

Look at some examples of recent changes – notice how they are building into their various payroll applications, the ability to handle complex compliance and regulatory issues for companies of all sizes.

### **Ghana – PAYE**

The Ghana Revenue Authority have changed their tax tables twice within the same tax year.

### **Mauritius – PAYE**

A new tax band was added – employees who do not earn a net income of more than Rs650 000 per annum is now taxed at 10%.

### **UK – General Data Protection Regulation (GDPR)**

Effective May 25th 2018, the GDPR is one of the biggest shake-ups ever seen and will affect how payroll data should be handled in all EU member states. It adds new requirements around access to personal data, how it's stored, and how long it's kept.

# Get control of payroll with Sage HR & Payroll



Sage HR & Payroll software solutions helps you improve efficiency by automating payroll processes and enabling data reporting and analytics. With stronger insights, you'll transform the way you manage and engage with your workforce. Sage will help your payroll teams automate end-to-end functions, to remain compliant without the hassle.

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