INTERCODE PAYROLL V4.4.2 RELEASE NOTES

BEFORE INSTALLING THE UPDATE

It is recommended that you make backup copies of all your existing employer files before you install any updates to Intercode Payroll. This will ensure that your original payroll information can be restored in the unlikely event that the update process fails to complete successfully. Once you have made backup copies of your existing employer files you can continue to install the update.

HOW TO INSTALL THE LATEST VERSION OF INTERCODE PAYROLL

There is no need to uninstall your current version of Intercode Payroll before installing a newer version of the software. Whenever a newer version of Intercode Payroll is installed on your computer, the newer version will automatically replace the current version as part of the installation process.

You can install the latest version of Intercode Payroll in one of two ways:

Automatic Installation (Recommended)

1. Ensure that you are currently connected to the internet.

2. Open Intercode Payroll.

3. Select *Help --> Check for Updates* from the main menu.
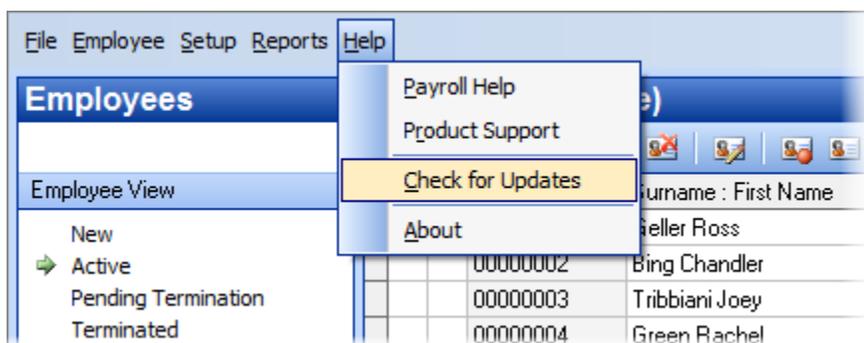
4. Follow the on-screen instructions to update your version of Intercode Payroll.

Manual Installation

1. Go to the *Downloads* page on the Intercode web site (www.intercode.co.za/downloads.php) and click on the link marked *Download Now.*

2. When asked whether you would like to *Run* or *Save* the file select *Save*. This will open a new window allowing you to specify the location on your computer's hard drive where you would like to save the file. Select *Desktop* and then click *Save*.

3. You will now see a *File Download* window showing the progress of the file download. Once the file download has been completed you can close all open windows and disconnect from the internet.

4. Ensure that Intercode Payroll has been closed then go to your *Desktop*, locate the installation file you just downloaded and double-click the file to start the installation process. Follow the on-screen instructions to complete the installation process.

Once the latest version of Intercode Payroll has been installed on your computer (using either of the two processes described above), open Intercode Payroll and open your employer file. You might see a message stating that your employer file is being updated. Wait for this process to finish.

The update process is now complete, and you can continue using the software as usual.

WHAT'S NEW

Employment Tax Incentive Update

As you probably know, the Employment Tax Incentive Act (No. 26 of 2013) originally came into effect on 01 January 2014. The Act is meant to incentivise employers to employ young or inexperienced workers, and allows employers to reduce their liability towards employee tax by a specific amount (the incentive amount) in respect of certain qualifying employees. The Act stipulates (amongst other things) how to determine the value of an employee's "monthly remuneration" on which the calculation of the tax incentive must be based, as well as the minimum wage amounts that must be paid to employees in order for them to qualify to be taken into account for the incentive.

The provisions of the original Act were not very carefully thought through however, and proved to be difficult to implement in practice. Where an employee was employed for less than a full month for instance, the Act simply stated that "monthly remuneration" would mean the amount that "would have been paid" to the employee if the employee was employed for the full month. No guidance was given as to how exactly the amount that "would have been paid" should be determined. Another common issue was the fact that the original Act made no provision for employees who were employed on a part-time basis, or who were employed for a reduced number of hours per day (i.e. half-day employees). The Act

didn't make it clear whether such employees should be deemed to have been employed for a full month or less than a full month, which in turn made it difficult to determine what the minimum qualifying wage for these employees should be.

In an effort to address some of the shortcomings of the original Act, the Employment Tax Incentive Act was amended by means of the Taxation Laws Amendments Act of 2014. The amended Act introduced the concept of a 160 hour baseline when referring to "partial" versus "full" months. If an employee was employed for more than 160 hours in a month, the employee would be deemed to have been employed for the *full* month. If an employee was employed for less than 160 hours in a month, the employee would be deemed to have been employed for *partial* month. The amended Act came into effect on 01 March 2015.

The amended Act went a long way towards solving some of the problems experienced with the original Act. For instance, the Act now specifically stated that where an employee was employed for less than 160 hours in a month, "monthly remuneration" would mean an amount that bears to the amount of remuneration actually paid to the employee in that month the same ratio as the number 160 bears to the number of hours that employee was employed in that month. The Act now also made provision for temporary or casual employees, as well as employees who work for only part a day, since the portion of a month for which such an employee was deemed to have been employed could now easily be determined by simply comparing the number of hours for which the employee was employed to the "full-month" baseline of 160 hours.

It wasn't all good news however. Together with the amendments that simplified the practical aspects of the provisions of the Act, other amendments introduced new issues and areas of uncertainty. Most noticeable of these were the changes to the wording of section 4 of the Act, which deals with the determination of the qualifying minimum wage. When National Treasury tabled the proposed amendments, they also published an explanatory memorandum explaining the reasoning behind the amendments. This explanatory memorandum contained the following statement (verbatim):

"It is proposed that the calculation of the value of the incentive be simplified and linked to an hourly rate where the grossing up mechanism is linked to a baseline of 160 hours of work per month, rather than through the use of a discretionary 'full time' calculation. The effect of this is that the incentive can be claimed for qualifying employees who earn between R12.50 an hour (if there is no minimum wage) and R37.50 an hour (provided they work 160 hours or less per month)."

From this is it clear that Treasury's original <u>intention</u> was that any employee whose hourly rate came to <u>R 12.50</u> (R 2000 / 160) or more, should be deemed to have passed the minimum wage qualifying test. The wording that finally ended up in the amended Act was quite different however, and when interpreted literally can (where an employee is employed for less than 160 hours in a month) result in a minimum wage rate that is much higher than the proposed R 12.50 per hour.

The wording in the <u>original</u> Act stated that where an employee was employed for less than a full month, the minimum wage payable to the employee should be an amount that bears to the amount of R 2000 the same ratio as the number days that the employee <u>worked</u> in that month bears to the number of

hours the employee would have <u>worked</u>, had the employee been employed for the full month. In the <u>amended</u> Act, the wording in section 4(1)(b)(ii) changed to state that where an employee was employed for less than 160 hours in a month, the minimum wage payable to the employee should be and amount that bears to the amount of R 2000 the same ratio as the number of hours that the employee was <u>employed</u> in that month bears to the number 160. Changing the word "worked" to "employed" is significant, since an employee could potentially have be employed for more hours than he/she actually works in any particular month.

Consider the following example:

An employee who works 8 hours per day is terminated on the 21st of the month. There were 15 working days between the 1st and the 21st, which means the employee was <u>employed</u> for <u>120</u> hours. However, the employee was on unpaid leave from the 14th to the 21st, which means he only actually <u>worked</u> for <u>80</u> hours. The employee was paid a total wage of R 1250 for the month. There is no wage regulating measure applicable to the employee, so the employee's monthly minimum wage would normally have been R 2000 according to section 4(1)(b)(i) of the amended Act. Since the employee was employed for less than 160 hours however, the monthly minimum wage of R 2000 must be prorated in terms of section 4(1)(b)(ii) of the Act.

Using Treasury's original proposal of a fixed hourly rate, the minimum wage payable to the employee in this month comes to R 1000 (R 12.50 x 80 hours):

Determine the Minimum Wage Payable in terms of Section 4(1)(b) of the Act

Minimum Wage Payable	= (Minimum Wage per Month / 160.0000) x Hours Worked
	= (R 2 000.00 / 160.0000) x 80.0000
Minimum Wage Payable	= **R 1 000.00**

Using the wording from the amended Act, but basing the ratio on the hours <u>worked</u> instead of hours <u>employed</u>, the minimum wage payable to the employee in this month still comes to R 1000:

Determine the Minimum Wage Payable in terms of Section 4(1)(b)(ii) of the Act

Minimum Wage Payable	= Minimum Wage per Month x (Hours Worked / 160.0000)
	= R 2 000.00 x (80.0000 / 160.0000)
Minimum Wage Payable	= **R 1 000.00**

Using the wording from the amended Act as it is currently written however (i.e. based on hours <u>employed</u>), the minimum wage payable to the employee in this month comes to R 1500:

Determine the Minimum Wage Payable in terms of Section 4(1)(b)(ii) of the Act

Minimum Wage Payable	= Minimum Wage per Month x (Hours Employed / 160.0000)
	= R 2 000.00 x (120.0000 / 160.0000)
Minimum Wage Payable	= **R 1 500.00**

Note that in both the first and second examples, the minimum hourly rate in order for the employee to pass the wage qualifying test comes to R 12.50 (R 1000 / 80 hours), which is in line with what Treasury intended to achieve. In the third example (which is the way the Act is currently written), the minimum hourly rate in order for the employee to pass the qualifying test comes to R 18.75 per hour (R 1500 / 80 hours).

Seeing as the employee was paid a total wage of R 1250 for the month, in the third example the employee would fail the minimum wage qualifying test, even though the employee's actual hourly rate of R 15.63 (R 1250 / 80 hours) is well above the R 12.50 that Treasury originally proposed.

So which is the correct method?

Well, it depends on your interpretation of the Act and what you feel the *intention* of the amendments were. We have repeatedly asked SARS to clarify their interpretation of the Act as it stands, but to date we have not yet received a definitive answer. There is still a lot of uncertainty as to whether or not SARS will accept *any* employee who earns an hourly rate of R 12.50 or more as being a qualifying employee, or whether they will enforce the Act as it is currently written, in which case the required qualifying minimum wage could be significantly higher than R 12.50, as demonstrated above.

It is as a result of this uncertainty, and in order to enable you to choose *your* preferred interpretation of the wording and intent of the Act, that the following changes have been introduced in Intercode Payroll.

New ETI Calculation Options (V4.4.1.1)

It is now possible to specify the method of calculating the required qualifying minimum wage for the purposes of the Employment Tax Incentive Act, according to your preference.

To view the calculation options that are currently being used:

• Select *Setup* → *Options* from the Intercode Payroll main menu.

• Select the *ETI Options* tab.

Monthly Remuneration Method

When an employee is deemed to have been employed for less than a full month, calculate the monthly equivalent of the employee's actual remuneration based on:

○ Portion of Month Worked

◉ Portion of Month Employed (Recommended)

Note: This setting is only applicable in months prior to March 2015.

The *Monthly Remuneration Method* determines how Intercode will calculate the monthly equivalent of an employee's actual remuneration where the employee was employed for less than a full month. Note that this settings only affects ETI calculations in months prior to March 2015 (i.e. months that fall under the original Act). As of March 2015, where an employee is employed for less than 160 hours in a month,

the monthly equivalent of the employee's actual remuneration is always calculated based on the number of hours the employee was <u>employed</u> in that month, as is required by the amended Act.

The *ETI Minimum Wage Method* determines how the required minimum qualifying wage will be calculated, for months that fall under the provisions of both the original and the amended Acts.

- If *Compare employee's hourly rate…* is selected, the employee's actual hourly rate will be compared to an effective minimum hourly rate, regardless of whether or not the employee was employed for the full month. For months that fall under the provisions of the original Act, the effective minimum hourly rate is R 11.54 per hour (R 2000 / 173.33), and for months that fall under the provisions of the amended Act, the effective minimum hourly rate is R 12.50 (R 2000 / 160). This method most closely represents Treasury's original proposal, and is also the method that Intercode Payroll has used by default in the past.

- If *Compare employee's basic salary or wage…* is selected, the employee's total basic salary or wage must be at least equal to R 2000 if the employee was employed for a full month, or equal to a prorated portion of R 2000 if the employee was employed for less than a full month.

  When this method is selected, the method of prorating the monthly minimum of R 2000 in partial months must also be specified.

  - If *Portion of Month Worked* is selected, the employee's total basic salary of wage must be at least an amount that bears to the amount of R 2000 the same ratio as the number of hours that employee <u>worked</u> in that month bears to the number 160 (or to the hours the employee would have worked, in months prior to March 2015). This method is "sort of midway" between what Treasury originally proposed with their R 12.50 hourly rate, and the eventual wording of the amended Act, seeing as it still requires a minimum monthly wage of R 2000 if an employee was employed for a full month, but then only requires an hourly rate of R 12.50 (or R 11.54 prior to March 2015) if an employee was employed for less than a full month.

  - If *Portion of Month Employed* is selected, the employee's total basic salary of wage must be at least an amount that bears to the amount of R 2000 the same ratio as the number

of hours that employee was <u>employed</u> in that month bears to the number 160. This method most closely resembles the wording of the amended Act as it is currently written, and is the method that Intercode Payroll will use as the default in new employer files from now on.

IMPORTANT:

Once you have installed this update, Intercode Payroll will set the default minimum wage method to be used in ETI calculation in all months from the latest month onwards to *Total Basic Salary or Wage* with a prorating method of *Portion of Month Employed*. This is the most <u>pessimistic</u> method of calculation (in that is may result in higher qualifying wage rates), but is in our opinion also the safest method. You may of course change the minimum wage method back to whichever method you prefer. As always, the choice is ultimately yours, but it is our recommendation that you leave the new settings as is, until such time as SARS has clarified their position regarding the minimum wage requirements.

Note: You can view the current ETI calculation settings by selecting *Setup → Options* from the main menu, but the settings cannot be changed in that window. To change the settings according to which the ETI calculations are done, go to the *Payroll* section, select *Monthly Totals* at the top left of the window, select the relevant month on the calendar to the left of the window, and then click *Recalculate ETI Amounts* on the toolbar at the top of the window. That will open a window from where the ETI settings can be changed, and the ETI values for all employees from the relevant month onwards can then be recalculated using the selected settings. Whichever settings are selected on that window then become the default settings for the ETI calculations in all months from there on.

If you have any questions related to ETI calculation, please contact the support desk for assistance.

Changes to Bank Account Number Formats When Exporting Payments to Sage Pay (V4.4.2.1)

In the past, when exporting payment amounts to Sage Pay, employee bank account numbers were left-filled with zeroes up to the required 11-digit length. This sometimes caused problems with employees who bank with Standard Bank, causing Standard Bank to reject the payment transactions.

As of this version of Intercode Payroll, when exporting payment amounts to Sage Pay, employee bank account numbers will no longer be zero-filled, but will be exported exactly as they were entered on the Banking Details page of the Employee Setup Wizard.

New Universal Branch Code for Nedbank (V4.4.2.1)

In the past, when selecting an employee's banking institution from the list of pre-defined banking institutions, there used to be two different options for Nedbank (one for savings accounts and one for

cheque accounts) with two different universal branch codes. These two options have now been consolidated into one option (Nedbank) and the universal branch code has been updated to reflect the code currently preferred by Nedbank (198765).

This change will not affect the banking details of any of your existing employees in any way, but will ensure that the correct universal branch code is allocated to any new employees who bank with Nedbank when they are first loaded onto the payroll.

Electronic Tax Certificate Export File Name (V4.4.2.1)

When exporting the tax certificate information of your employees to the SARS Easy-File program the export file name will now reflect both the tax year and the reconciliation period for which the file was created (in the past the file name reflected the tax year only). For example, when exporting information for the interim submission for the 2016 tax year the file will be called "IRP5_XXXXXXXXXX_**201508**.TXT", but when exporting information for the final submission the file will be called "IRP5_XXXXXXXXXX_**201602**.TXT".

New FNB Payment Interface (Bankserv ACB) (V4.4.2.1)

A New payment interface called "Bankserv ACB" has been added for First National Bank. The layout of the ACB payment file that is created when using this format is virtually identical to the "First National Bank: BIS / BANKIT" layout, with the exception that it caters for future-dated payment action dates.

To set your payroll to use this new format (assuming that you bank with FNB of course):

- Select *Setup* → *Options* from the Intercode Payroll main menu.

- Select the *Payment Options* tab.

- Click the *ACB Payment Interface* drop-down, then select "First National Bank: Bankserv ACB".

- Click *OK*.

BUG FIXES

There were no bug fixes in this release.

End of Release Notes

If you have any questions regarding the features included in this release, or if you have any trouble installing the update, please contact the Intercode support desk on 086 111 3523 for assistance.