

INTERCODE PAYROLL V5.0.0 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.

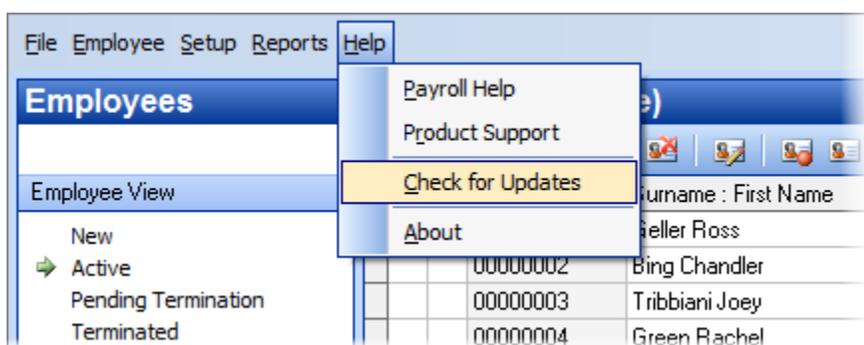
HOW TO INSTALL THE LATEST VERSION OF INTERCODE PAYROLL

There is no need to uninstall your current version of Intercode Payroll before installing a newer version of the software.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

2016-2017 Tax Tables

Intercode Payroll V5.0 includes the 2016-2017 tax tables as announced in the national budget speech on Wednesday 24 February 2016. As soon as this update has been installed you can safely do a payroll run (i.e. roll-over) into March 2016. There is no need for any special year-end processing – you can simply do a normal payroll run as you would for any other pay period.

To view the tax tables, tax rebates, tax thresholds and other relevant information for the 2017 tax year, select *Setup* → *Tax Year Setup* from the Intercode Payroll main menu.

Additional Medical Expenses Tax Credits (Employees 65 and Older)

Over the last few years, tax deductions in respect of employee-paid medical aid contributions have changed from a “deduction” system to a “credit” system generally known as *medical aid tax credits*. Individuals under the age of 65 were migrated to the tax credit system as of the 2013 tax year, while individuals aged 65 and older were only migrated to the system as of the 2015 tax year onwards.

In addition to the normal medical aid tax credits mentioned above, individuals aged 65 years and older also qualify for an additional medical scheme expenses tax credit in respect of all qualifying medical expenses, as well as medical aid contributions that exceed three times the normal medical aid tax credits. However, the additional medical expenses tax credit for individuals aged 65 years and older can currently only be claimed at the end of the tax year, on assessment. This can cause cash-flow issues for these individuals during the course of the year.

To try and assist these individuals, the Income Tax Act has now been amended to allow employers to take these additional medical expenses tax credits into account for the calculation of employee's tax in the payroll on a month-to-month basis. Note however that only the medical expenses tax credits resulting from medical aid contributions may be taken into account in the payroll. Tax credits in respect of out of pocket medical expenses may still only be claimed on assessment.

The value of the additional medical expenses tax credits that may be taken into account in the payroll for employees aged 65 years and older is equal to 33.3% of the amount of the employee-paid medical aid contributions as exceeds three times the value of the normal medical aid tax credits to which the employee is entitled.

As of Intercode Payroll V5.0, the value of additional medical expenses tax credits resulting from medical aid contributions will automatically be taken into account for employees aged 65 years and older, in all pay periods as of March 2016 onwards. The value of any additional medical expenses tax credits taken into account for an employee's tax calculation will be reflected under code 4120 on the employee's tax certificate.

Note: There is no need for you to make any changes to your payroll. This change is only mentioned here to make you aware of it, but the software will take care of all the necessary calculations for you.

Bursaries or Scholarships (R10 000 Exemption)

If an employer grants a bursary or scholarship in respect of the cost of training to an employee or a relative of an employee at a recognised educational institution, either part or all of the bursary or scholarship amount will be exempt from employees' tax depending on the circumstances.

- If the bursary or scholarship is granted to the employee personally, the full value of the bursary or scholarship is exempt from employees' tax, provided that the employee agrees to reimburse the employer in the event that the employee fails to complete the training for any reason other than ill health, injury or death.
- If the bursary or scholarship is granted to a relative of the employee (and provided that the employee's *remuneration proxy* is below R250 000), the value of the bursary or scholarship is exempt from employees' tax only up to specified limits, and the excess is taxable in the hands of the employee.

As of 01 March 2013, the exemption limits are:

- Up to R10 000 of the bursary value in respect of a qualification to which an NQF level of 1 to 4 applies in terms of the National Qualifications Framework Act, or;
- Up to R30 000 of the bursary value in respect of a qualification to which an NQF level of 5 to 10 applies in terms of the National Qualifications Framework Act.

Under the National Qualifications Framework Act, NQF level 1 begins at grade 9. Grades R to 8 do not qualify as receiving NQF levels, and as a result, bursaries or scholarships granted by an employer to a relative of an employee in respect of grade R to grade 8 qualifications do not qualify for the R10 000 exemption.

This oversight in the current legislation has now been rectified. Section 10(1)(q) of the Income Tax Act has been amended in order to expand the R10 000 exemption to now include NQF levels 1 to 4, as well as grades R to 12 as defined in the South African Schools Act.

Example 1:

An employer grants a bursary to pay for the grade 1 school fees of an employee's daughter. The value of the bursary is R14 000 for the year.

- The first R10 000 of the bursary is exempt from employees' tax, so must be reflected as a non-taxable fringe benefit for a bursary or scholarship in respect of basic education (SARS code 3815) on the payroll.
- The remaining R4 000 will be taxable in the employee's hands, so must be reflected as a taxable fringe benefit for a bursary or scholarship in respect of basic education (SARS code 3809) on the payroll.

Example 2:

An employer grants a bursary to pay for the university fees (NQF level 6 qualification) of an employee's daughter. The value of the bursary is R 35 000.

- The first R30 000 of the bursary is exempt from employees' tax, so must be reflected as a non-taxable fringe benefit for a bursary or scholarship in respect of further education (SARS code 3821).
- The remaining R5 000 will be taxable in the employee's hands, so must be reflected as a taxable fringe benefit for a bursary or scholarship in respect of further education (SARS code 3820).

Example 3:

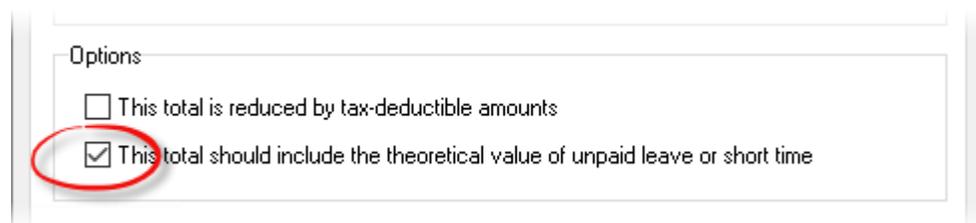
An employer grants a bursary to pay for an employee's university degree (NQF level 10). The value of the bursary is R120 000. The employee agrees to reimburse the employer if the employee fails to complete the degree for any reason other than ill health, injury or death.

- The full value of the bursary is exempt from employees' tax, so must be reflected as a non-taxable fringe benefit for a bursary or scholarship in respect of further education (SARS code 3815).
- If the employee fails to complete the degree for any reason other than ill health, injury or death, the employee must then:
 - Reimburse the employer for the full value of the bursary, as was agreed upon, or;
 - If the employee does not reimburse the employer, the full value of the bursary becomes taxable in the employee's hands, and must then be reflected as a taxable fringe benefit for a bursary or scholarship in respect of further education (SARS code 3809) on the payroll (SARS code 3815 must then reflect zero).

There is no need for you to make any changes to your payroll. This amendment is only mentioned here in order to make you aware of the change in legislation.

New Options for Income Totals

When calculating deductions that are based on a percentage of a selected income total, it has always been possible to choose whether the income total that the calculation is based on should include the theoretical value of unpaid leave or short time. This was done simply by ticking the relevant option at the bottom of the *Income Total Definition* window.



Options

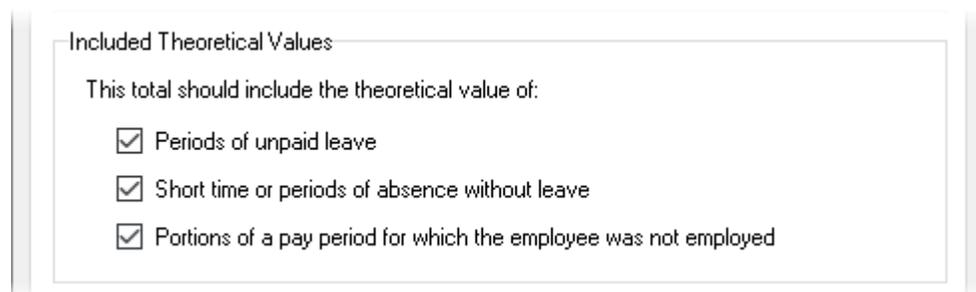
This total is reduced by tax-deductible amounts

This total should include the theoretical value of unpaid leave or short time

If this option was ticked, the theoretical value of any unpaid leave or short time that was deducted from an employee's income would be added back to the value of the income total. The income total would then reflect the value of the employee's income as it would have been if the employee had not had any unpaid leave or short time to begin with.

In the past, this option was only used to differentiate between the *Basic Salary or Wage* income total and the *Expected Basic Salary or Wage* income total. For the *Basic Salary or Wage* income total, the option to include the theoretical value of unpaid leave or short time in the value of the income total was not ticked, and the income total therefore reflected the actual value of an employee's basic salary or wage for a pay period. For the *Expected Basic Salary or Wage* income total however, this option was ticked, and the income total therefore reflected the theoretical (or expected) value of an employee's basic salary or wage for a pay period.

As of Intercode Payroll V5.0, the options available when specifying whether or not the theoretical values of unpaid leave, short time and amounts deducted in respect of partial periods of employment should be included in an income total's value have been expanded to provide more detailed control as to which values are included and which values are not.



Included Theoretical Values

This total should include the theoretical value of:

- Periods of unpaid leave
- Short time or periods of absence without leave
- Portions of a pay period for which the employee was not employed

The following options are now available:

- Periods of unpaid leave. If this option is selected, the theoretical value of any periods of unpaid leave that fell in the current pay period will be added to the value of the relevant income total.
- Short time or periods of absence without leave. If this option is selected, the theoretical value of any short time or absence without leave that fell in the current pay period will be added to the value of the relevant income total.
- Portions of a pay period for which the employee was not employed. If this option is selected, the theoretical value of any portion of the pay period for which the employee was not employed (and for which the employee was therefore not paid) will be added to the value of the relevant income total.

In addition to the two existing income totals for *Basic Salary or Wage* and *Expected Basic Salary or Wage* that have always been available on Intercode Payroll, a third income total has now also been added to represent an employee's *Usual Basic Salary or Wage*. This income total represents the value of the basic salary or wage that an employee would normally have been expected to receive for the relevant pay period if the employee has been employed for the full pay period (regardless of the portion of the pay period for which the employee was actually employed).

The following table shows a comparison of the three “basic salary” income totals which are now available for use in calculations.

INCOME TOTAL NAME	INCLUDED THEORETICAL VALUES		
	Unpaid Leave	Short Time	Partial Periods
Basic Salary or Wage	No	No	No
Expected Basic Salary or Wage	Yes	Yes	No
Usual Basic Salary or Wage	Yes	Yes	Yes

- *Basic Salary or Wage* represents the value of the basic salary or wage that an employee actually received in a particular pay period.
- *Expected Basic Salary or Wage* represents the value of the basic salary or wage that an employee would normally have been expected to receive in a pay period, but only in respect of the portion of the pay period for which the employee was actually employed.
- *Usual Basic Salary or Wage* represents the value of the basic salary or wage that the employee would normally have been expected to receive for the full pay period, regardless of the portion of the pay period for which the employee was actually employed.

Application of Monthly UIF Limits to Weekly or Fortnightly Paid Employees

When calculating an employee’s UIF contribution, the amount of the employee’s income that should be taken into account for the calculation is limited to a maximum of R14 872 per month. Since only the first R14 872 of an employee’s income is taken into account, this means that in practice an employee’s UIF contribution should never be more than R148.72 per month (1% of R14 872).

For employees who are paid per week or per fortnight however, this monthly limit must be converted to a weekly or fortnightly equivalent, so it can be applied on a weekly or fortnightly basis instead.

There are two main ways of doing this:

1. Divide the monthly limit by the *actual* number of pay periods in the month. For example, if an employee is paid per week and the relevant month has four weeks, the employee’s income which is subject to UIF would be limited to R3 718 per week (R14 872 / 4). The maximum amount of UIF that could be deducted from the employee’s income would therefore be limited to R37.18 per week (1% of R3 718). If a month had 5 weeks however, the employee’s income which is subject to UIF would be limited to R2 974.40 per week (R14 872 / 5). The maximum amount of UIF that could be deducted from the employee’s income in *that* month would be limited to R29.74 per week (1% of R2 974.40). As you can see, when using this method the maximum amount of UIF that could be deducted from an employee’s income per week (or per fortnight) would differ from one month to the next, depending on the number of weeks or fortnights in the relevant month.

2. Divide the monthly limit by the *average* number of weeks in a month. The average number of weeks in a month is determined by dividing 52 weeks by 12 months, and comes to around 4.33 weeks per month. Using the monthly limit of R14 872 applicable to the Income Subject to UIF income total as an example again, the equivalent weekly limit would then come to R3 432, which would mean that the maximum amount of UIF that could be deducted from a weekly paid employee's income would be limited to R34.32 per week (1% of R3 432). Since this weekly limited is based on the average number of weeks in a month, the weekly limit would stay the same regardless of the actual number of weeks in a month.

Note: In practice there is actually a third method of applying the UIF limit as well, where the employee's full income is taken into account in each week or fortnight until the monthly limit is reached. There are various practical problems that result from using this method however, so it is therefore not currently provided as an option on the payroll.

In the past, Intercode Payroll has always used the first method (i.e. divide the monthly limit by the actual number of weeks in the month). The fact that the weekly UIF limit could change from one month to the next however is sometimes confusing for employees and their employers. For this reason, as of Intercode Payroll V5.0 it is now possible to specify the method that should be used to convert an income total's monthly or annual limit (if any) to a weekly or fortnightly equivalent.

To change the way in which the monthly or annual limit of an income total is converted to a weekly limit:

- Select *Setup* → *Advanced* → *Income and Deduction Totals* from the Intercode Payroll main menu.
- Under the *Income Totals* tab, double-click on the relevant income total to open the *Income Total Definition* window.
- Select the *Income Total limits* tab, then select the relevant conversion method at the bottom of the page.

Income Total Definition

Description
Income subject to UIF

Included Income Classes Included Income Types **Income Total Limits** Other Options

Calculation Limits

Upper Limit Type	Monthly Limit	Effective Payroll Month	
Upper Limit Values	R 10 966.00	October	2005
	R 11 662.00	July	2006
	R 12 478.00	February	2008
	R 14 872.00	October	2012
	R 0.00		

For employees who are paid weekly or fortnightly:

Divide the limit by the actual number of pay periods in the month or year
 Divide the limit by the average number of pay periods in a month or year
 Deduct the maximum in each pay period until the relevant limit is reached
 Prorate the limit for employees who were not employed for the full pay period.

Help Print OK Cancel

- Click *OK* to close the window.

Also note that another new option has been added at the bottom of this window, which allows you to specify whether or not the relevant monthly, fortnightly or weekly income limit should be prorated for employees who were not employed for the full pay period. If this option is selected and an employee is either appointed after the start of a pay period or is terminated before the end of a pay period (i.e. is not employed for the full pay period), then the relevant income limit will be prorated according to the portion of the pay period for which the employee was actually employed.

Automatic Fringe Benefits in respect of Employer Contributions to Retirement Funds

As of 01 March 2016, all employer contributions to pension, provident and retirement annuity funds for the benefit of an employee must now be treated as a taxable fringe benefit in the hands of the relevant

employee. SARS has introduced three new fringe benefit tax certificate codes specifically for this purpose.

The new fringe benefit income codes are:

- Code 3817 for Pension Fund Fringe Benefits,
- Code 3825 for Provident Fund Fringe Benefits, and ;
- Code 3828 for Retirement Annuity Fund Fringe Benefits.

As of Intercode Payroll V5.0, if an employer contributes to a pension, provident or retirement annuity fund for the benefit of an employee, a fringe benefit income item will automatically be added to the relevant employee's income. The classification code under which the fringe benefit is reflected will be determined by the *Benefit Income Type* associated with the relevant retirement fund deduction.

In future, when you create a new (or view an existing) deduction type definition you will notice a new option at the bottom of the *Deduction Type Definition* window that indicates whether or not employer contributions to the relevant deduction type give rise to a taxable fringe benefit in the hands of the employee.

The screenshot shows the 'Deduction Type Definition' window with the following details:

- General** tab selected.
- Deduction Details:**
 - Deduction Description: Pension Fund
 - Tax Classification: Pension Fund Contributions
- Beneficiary Details:**
 - Deduction Beneficiary: Liberty Life
- Deduction Options:**
 - This is a statutory deduction (i.e. required by law) [Reasons for Non-contribution]
 - Show employer contribution on payslips
 - Employer contributions give rise to a taxable fringe benefit (circled in red)
 - Benefit Income Type: Pension Fund Fringe Benefit (3817)

Buttons at the bottom: Help, OK, Cancel.

If this option is ticked, any employer contribution to the relevant deduction type will result in a taxable fringe benefit being added to the relevant employee's income using the *benefit Income Type* specified.

For pension, provident and retirement annuity contributions (i.e. SARS codes 4001, 4003 and 4006) this option will be ticked by default, and the appropriate benefit income type will be selected automatically.

In the example above, seeing as the *Tax Classification* of the deduction type indicates that this is a deduction in respect of pension fund contributions, the option that indicates that employer contributions should result in a taxable fringe benefit has automatically been selected, and the *Benefit Income Type* field has automatically been set to the "Pension Fund Fringe Benefit" income type (SARS code 3817).

If this deduction type is then added to an employee, any employer contribution to this type of deduction...

Income Deductions Time and Attendance					
Description	Tax Class	Employee	Employer	Total Value	
Employee Tax	4103	R 3 162.27	R 0.00	R 3 162.27	
Unemployment Insurance Fund (UIF)	4141	R 148.72	R 148.72	R 297.44	
Skills Development Levy (SDL)	4142	R 0.00	R 213.10	R 213.10	
Pension Fund	4001	R 1 650.00	R 1 650.00	R 3 300.00	

...will automatically result in a fringe benefit being added to the employee's income using the benefit income type specified on the deduction type definition (in this case 3817). The value of the fringe benefit will depend on the *fund arrangement* (discussed in the next section) of the retirement fund being contributed to.

Income Deductions Time and Attendance						
Description	Tax Class	Quantity	Unit Value	Benefit Value		
Basic Salary	3601	20	R 1 047.62	R 0.00		
Public Holiday (Automatic)	3601	1	R 1 047.62	R 0.00		
Fixed Travel Allowance	3701	1	R 1 200.00	R 0.00		
Pension Fund Fringe Benefit	3817	1	R 1 650.00	R 1 650.00		

Note: Fringe benefits in respect of employer contributions to provident funds or retirement annuity funds will automatically be added to an employee's income in exactly the same way as the fringe benefit in respect of the pension fund contributions described in the example above. The only difference being that fringe benefits in respect of employer contributions to provident funds will be added under code 3825, and fringe benefits in respect of employer contributions to retirement annuity funds will be added under code 3828.

Retirement Fund Arrangements and Fund Member Category Factors

As mentioned in the previous section, any employer contribution to a pension, provident or retirement annuity fund will automatically result in a taxable fringe benefit as of 01 March 2016. The way in which the value of the fringe benefit must be calculated depends on the internal composition of the relevant fund. Retirement funds can consist of defined benefit components, defined contribution components, or a combination of defined benefit, defined contribution, underpin and risk components. As of Intercode Payroll V5.0, this internal make-up of a fund will be referred to as the *fund arrangement*.

For the sake of simplicity, fund arrangements will be separated into only two main groups namely *defined contribution funds* and *defined benefit and hybrid funds*. Defined contribution funds are funds that consist of defined contribution components only, or consist of a defined contribution component and a risk component where the risk benefit is provided solely by way of a policy of insurance from an insurance provider (i.e. the fund does not self-insure the risk). All other funds that do not fall into the definition of defined contribution funds are classified as defined benefit or hybrid funds.

If an employer contributes to a defined contribution fund, the value of the fringe benefit in respect of the employer's contribution will be equal to the value of the employer contribution itself. However, if an employer contributes to a defined benefit or hybrid fund, the value of the fringe benefit must be calculated according to a formula which (amongst other things) is based on the *fund member category factor* of the relevant fund. In order for Intercode Payroll to calculate the value of the fringe benefit in respect of employer contributions to defined benefit or hybrid funds correctly, the relevant fund member category factor must be loaded onto the payroll so it can be used in the fringe benefit calculation.

To specify the fund arrangement and/or fund member category factor for a deduction type in respect of retirement fund contributions:

- Select *Setup* → *Income and Deduction Types* from the Intercode Payroll main menu.
- Select the *Deduction Types* tab.
- Double-click on the relevant deduction type to open the *Deduction Type Definition* window.
- Select the *Retirement Fund Details* tab (this tab will only be visible if the deduction type's *Tax Classification* has been set to either *Pension Fund Contributions*, *Provident Fund Contributions* or *Retirement Annuity Fund Contributions*).

Deduction Type Definition

General | Default Contributions | Retirement Fund Details

Retirement Fund Details

Fund Arrangement:

Defined Contribution Fund
Select this option if the fund consists of defined contribution components only, or if the fund consists of a defined contribution component and a risk component and the risk benefit is provided solely by way of a policy of insurance from an insurance provider.

Defined Benefit or Hybrid Fund
Select this option if the fund consists of defined benefit components only, or if the fund consists of a mixture of defined benefit, defined contribution, underpin and risk components.

Fund Member Category Factor as per Contribution Certificate: 15.00 %

Use the drop-down below to indicate if this deduction type represents current contributions, arrear contributions, additional voluntary contributions or buy-backs in terms of the rules of the fund.

Retirement Fund Contribution Classification: Current Contributions (Default)

Help OK Cancel

- Select whether the fund is a defined contribution fund or a defined benefit or hybrid fund. If the *Defined Contribution Fund* option is selected, then the *Fund Member Category Factor* will be disabled and does not have to be completed. If the *Defined Benefit or Hybrid Fund* option is selected however, then the *Fund Member Category Factor* must be specified (refer to the contribution certificate received from the fund administrators).
- Click *OK* to close the window.

As of Intercode Payroll V5.0, the fund arrangement of any deduction type that is created in respect of pension, provident or retirement annuity fund contributions must be specified, and if the *Defined Benefit or Hybrid Fund* option is selected, must have a fund member category factor that is greater than zero.

IMPORTANT: During the V5.0 upgrade process, the fund arrangement of all existing deduction types in all of your existing employer files will automatically be set to the **defined contribution fund** option. If any of the funds that you or your employees contribute to are actually defined benefit or hybrid funds, you must change the *Fund Arrangement* on the *Deduction Type Definition* window to the *Defined Benefit*

or *Hybrid Fund* option manually (as described above) and then specify the relevant fund member category factor as per the contribution certificate provided to you by the fund's administrators. Failure to do so might result in the value of the fringe benefits in respect of employer contributions to these funds to be calculated incorrectly.

Retirement Fund Contribution Classifications

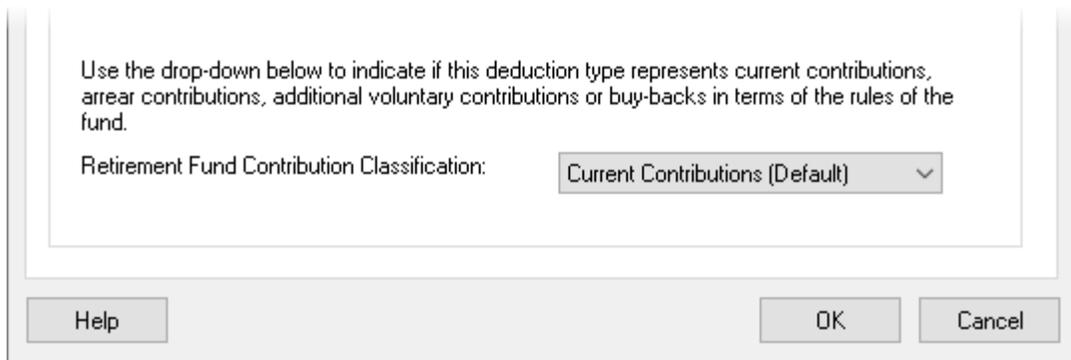
Another result of the recent changes in legislation is that retirement fund contributions to pension funds, provident funds and retirement annuity funds are now all treated exactly the same for tax purposes. As a result, SARS no longer requires that *current* and *arrear* contributions are reported separately on employee tax certificates. SARS have therefore discontinued the codes used to report arrear pension fund contributions (code 4002), arrear provident fund contributions (code 4004) and arrear retirement annuity fund contributions (code 4007) as of 01 March 2016. These codes have therefore also been disabled on the payroll for any pay period that falls in March 2016 or later (you will still be able to use the arrear contribution codes in pay periods prior to March 2016 for reasons of backward compatibility).

However, even though SARS no longer requires that arrear contributions are reported separately, there are still certain instances where it is necessary to differentiate between certain types of retirement fund contributions. For example, the formula used to calculate the fringe benefit in respect of employer contributions to defined benefit or hybrid funds (discussed in the previous section) specifically excludes the value of *additional voluntary contributions* and *buy-backs*. In order for Intercode Payroll to be able to exclude these specific types of contributions from the fringe benefit calculation, the software therefore needs to know which type of retirement fund contribution each individual deduction type on the payroll represents.

Therefore, as of Intercode Payroll V5.0, whenever you create a deduction type for retirement fund contributions, you will now also be required to specify the *Retirement Fund Contribution Classification* represented by each individual deduction type.

To specify the contribution classification of a deduction type in respect of retirement fund contributions:

- Select *Setup* → *Income and Deduction Types* from the Intercode Payroll main menu.
- Select the *Deduction Types* tab.
- Double-click on the relevant deduction type to open the *Deduction Type Definition* window.
- Select the *Retirement Fund Details* tab (this tab will only be visible if the deduction type's *Tax Classification* has been set to either *Pension Fund Contributions*, *Provident Fund Contributions* or *Retirement Annuity Fund Contributions*).



- At the bottom of the *Retirement Fund Details* tab, use the drop-down to select the relevant contribution classification (i.e. the type of contribution to the fund).

The following options are available:

- Arrear (late-paid contributions in respect of previous tax years)
 - Current (normal contributions in respect of the current tax year)
 - Additional Voluntary Contributions (to increase value of retirement benefits)
 - Buy-Backs (to purchase additional years of service in a defined benefit fund)
- Once you have made your selection, click *OK* to close the window.

As of Intercode Payroll V5.0, the contribution classification any deduction type that is created in respect of pension, provident or retirement annuity fund contributions must be specified, regardless of the fund arrangement selected.

Automatic Fringe Benefits in respect of Unclassified Employer Contributions

In addition to the fringe benefits that are automatically created in respect of employer contributions to retirement funds, medical aids, in respect of medical expenses paid on behalf of employees or employer contributions to income replacement policies, it is now also possible to (at your option) automatically generate fringe benefits in respect of any other employer contributions to unclassified deduction types (i.e. deduction types that do not have a specific SARS tax classification code) as well.

As mentioned earlier, when viewing a specific deduction type in the *Deduction Type Definition* window, you will notice a new option at the bottom of the window which allows you to specify whether or not employer contributions to this type of deduction should result in a taxable fringe benefit.

Deduction Options

This is a statutory deduction (i.e. required by law) Reasons for Non-contribution

Show employer contribution on payslips

Employer contributions give rise to a taxable fringe benefit

Benefit Income Type Taxable Employer Contributions (3801)

Help OK Cancel

If this option is selected, any employer contribution to this type of deduction will result in a taxable fringe benefit of the same value as the employer contribution being added to the relevant employee's income, using the income type specified in the *Benefit Income Type* drop-down box. For "classified" deduction types (such as retirement fund contributions, medical aid contributions etc.) the benefit income type will be assigned automatically, but all other deduction types however, the *Benefit Income Type* drop-down will be enabled and will allow you to choose the income type to use.

The two available options are:

1. **Taxable Employer Contributions (3801).**
Select this option if the employer's contribution to this type of deduction would be classified as a "normal" taxable benefit or taxable employer contribution. Examples would include situations where an employer pays amounts into a leave pay fund, sick pay fund or holiday bonus fund and those amounts will eventually be paid out to the employee, or situations where the employer pays premiums to an insurance policy that is owned by the employer, but where any pay-outs would be for the benefit of the employee (e.g. employer-owned income protection policies or group life insurance).
2. **Payment of Employee's Debt (3808).**
Select this option if the employer's contribution to this type of deduction would be classified as payment of an employee's debt. Examples would include employer contributions to an employee's own retirement annuity fund, employer contributions to an employee-owned income replacement policy, etc. As a general rule, select this option if the employer pays any amount in respect of something that the employee would normally have been required to pay him/herself.

Once the option to automatically generate a fringe benefit in respect of employer contributions has been selected, any employer contribution to this type of deduction...

Income		Deductions		Time and Attendance	
Description	Tax Class	Employee	Employer	Total Value	
Employee Tax	4103	R 3 717.18	R 0.00	R 3 717.18	
Unemployment Insurance Fund (UIF)	4141	R 148.72	R 148.72	R 297.44	
Skills Development Levy (SDL)	4142	R 0.00	R 232.10	R 232.10	
Group Life Insurance		R 0.00	R 250.00	R 250.00	

...will automatically result in a fringe benefit of the same value being added to the employee's income using the benefit income type specified (either 3801 or 3808).

Income		Deductions		Time and Attendance	
Description	Tax Class	Quantity	Unit Value	Benefit Value	
Basic Salary	3601	20	R 1 100.00	R 0.00	
Fixed Travel Allowance	3701	1	R 1 200.00	R 0.00	
Taxable Employer Contributions	3801	1	R 250.00	R 250.00	

You can choose to generate automatic fringe benefits on as many deduction types as you want. If more than one deduction type generates a taxable fringe benefit of the same type, the value of the employer contributions to the various deduction types will all be added together, and the total value will then be added to the employee's income as a single taxable fringe benefit.

New Description for Income Protection Fringe Benefit (and Code 4018 Discontinued)

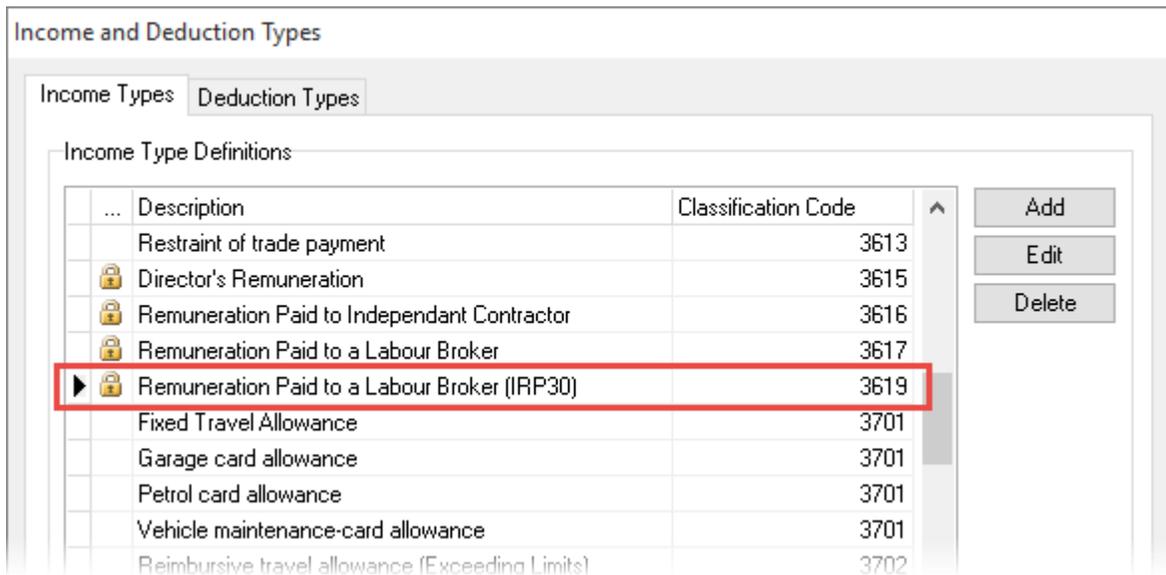
In the past, if an employer paid income protection policy premiums on behalf of an employee, a fringe benefit called "Income Protection Fringe Benefit" was automatically created under code 3808. As of Intercode Payroll V5.0 however, the fringe benefit in respect of income protection policy premiums has been incorporated into the new generic "Payment of Employee's Debt" (also code 3808) fringe benefit income type. The description of any existing "Income Protection Fringe Benefit" income items on your payroll will automatically be changed to "Payment of Employee's Debt" as part of the upgrade process (the tax classification code will not change – only the description will be updated).

As a point of interest, SARS has discontinued code 4018 (Income Protection Policy Premiums) retrospectively as of the 01 March 2015, since that is when the premiums stopped being tax-deductible. For backward compatibility purposes the code will still be available on the payroll however, but will no longer be reported to SARS as part of the reconciliation process.

New Income Type (3619) for Labour Brokers with Exemption Certificates

In the past, all amounts paid to labour brokers were reflected under SARS code 3617 on employees' tax certificates, regardless of whether or not the relevant labour broker was in possession of an exemption certificate (IRP30). As of the 2017 tax year however, SARS have introduced a new requirement that only amounts paid to labour brokers who *are not* in possession of exemption certificates must be reflected under code 3617, and amounts paid to labour brokers who *are* in possession of exemption certificates must be reflected under code 3619.

In Intercode Payroll V5.0 a new income type has therefore been added which must be used to reflect all amounts paid to labour brokers with exemption certificates as of the 2017 tax year.



If any of the employees on your payroll have been defined as labour brokers with exemption certificates (using the *Employee Type* setting on the first page of the *Employee Setup Wizard*), then the *Standard Income* definitions of these employees will automatically be converted to the new code as part of the upgrade process, and all amounts paid to those employees will automatically be reflected under code 3619 as of March 2016 onwards.

Note: Remuneration paid to independent contractors with exemption certificates will still be reflected under code 3617 for all pay periods prior March 2016, as has always been the case. The new code will only be used in pay periods that fall in March 2016 or later.

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.