

# INTERCODE PAYROLL V5.3.0 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.

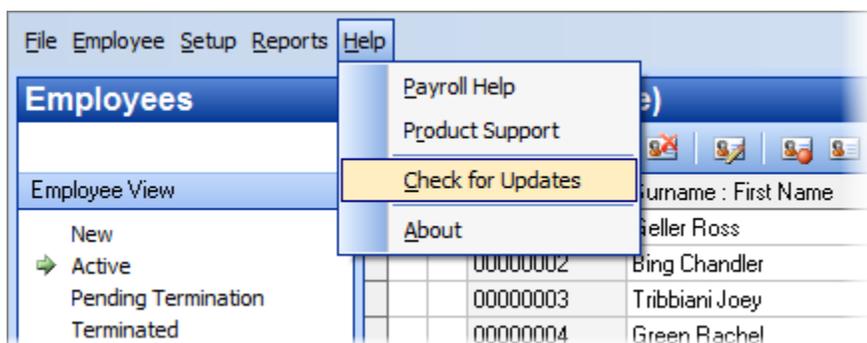
## HOW TO INSTALL THE LATEST VERSION OF INTERCODE PAYROLL

There is no need to uninstall your current version of Intercode Payroll before installing a newer version of the software.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](http://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

### 2017-2018 Tax Tables

Intercode Payroll V5.3 includes the 2017-2018 tax tables as announced in the national budget speech on Wednesday 22 February 2017. As soon as this update has been installed you will be able to do a payroll run into March 2017. Apart from updating the fund member category factors linked to your retirement fund deductions (see next point below), 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 2017-2018 tax year, select *Setup* → *Tax Year Setup* from the Intercode Payroll main menu.

### Retirement Funds: Updating the Fund Member Category Factors for 2018

As you probably remember, one of the changes of the retirement reforms introduced in the 2016-2017 tax year was the concept of a "fund member category factor" which, in the case of defined benefit or hybrid funds, is used to calculate the value of the fringe benefit in respect of employer contributions to

employees' retirement funds. These fund member category factors can change from one tax year to the next, and must therefore be supplied to the employer by the relevant fund in the form of a contribution certificate at the start of each new tax year.

If you have any deductions on your payroll in respect of pension, provident or retirement annuity funds you must ensure that you obtain updated contribution certificates in respect of the 2018 tax year so you can update the relevant fund member category factors on your payroll accordingly.

Once you've received the latest contribution certificates from the relevant retirement funds:

- Select *Setup* → *Income and Deduction Types* from the Intercode Payroll main menu.
- Select the *Deduction Types* tab.
- Locate the relevant deduction type and double-click on it to open the *Deduction Type Definition* window.
- In the *Deduction Type Definition* window, select the *Retirement Fund Details* tab.
- Ensure that the *Fund Member Category Factor* field reflects the latest fund member category factor as per the contribution certificate received from the fund.

- Once the fund member category factor has been verified, click *OK* to close the window.

Repeat this process for each of the retirement fund deduction types (i.e. codes 4001, 4003 and 4006) that have been defined on your payroll.

**IMPORTANT:** The fund member category factors linked to the deductions on your payroll should only be updated once all of your employees' payslips for February have already been approved and closed, but before you roll over into March.

### **Discontinuation of Directors Tax on Deemed Remuneration**

Paragraph 11C of the Fourth Schedule to the Income Tax Act, 1962 was originally added in 2002 in order to create a PAYE withholding liability for directors of companies or members of CCs who weren't paid remuneration at regular monthly intervals, but instead received remuneration at inconsistent intervals or on an "ad hoc" basis. Paragraph 11C provided a method for calculating a notional value of monthly remuneration that was then "deemed" to have been paid to the director, based on the director's actual remuneration for the previous year. The director's PAYE liability would then be calculated on the greater of the director's actual monthly remuneration (if any) or the "deemed" remuneration calculated in accordance with paragraph 11C.

The Tax Administration Laws Amendment Act, 2016 which was assented to by the President on 18 January 2017 has however repealed section 11C with effect from 01 March 2017, which means that the calculation of a director's PAYE liability based on "deemed remuneration" is, as of 01 March 2017, no longer allowed. All directors will henceforth be taxed on their actual remuneration, just like any other employee.

Intercode Payroll V5.3 has therefore also been updated to reflect this change. If any of the employees on your payroll are directors of companies or members of CCs and their PAYE liabilities are currently being calculated based on "deemed remuneration", you will not be able to finalise the March 2017 payslips of those employees (i.e. you will receive a payslip validation error) until such time as their tax calculation methods have been changed in accordance with the new law.

Note: The following procedure should only be followed once you have finalised your February 2017 payslips, but before you roll over to March.

To identify directors of companies or members of CCs who are currently being taxed on "deemed remuneration":

- Go to the *Employees* section.
- Select *Reports* → *Employee Reports* → *Employee Listing* from the main menu.
- In the *Print Employee Lists* window, tick the *Tax Calculation Details* option, then also tick the *Exclude Terminated Employees* option at the bottom of the window, then click *Generate Report*.

This will generate a report showing the tax calculation details of all the employees on your payroll. In the *Tax Calculation Rate* column, identify any employees whose tax calculation rates are set to “Tax Tables: Deemed”, as indicated in the example below.

	Known As	Tax Ref. No.	Tax Calculation Rate	Tax Calculation
	Ross		Tax Tables : Deemed (R 520 000.00)	Current Period
ler	Chandler		Tax Tables	Average Incon
ey	Joey		Tax Tables	Average Incon
iel A	Rachel		Tax Tables	Average Incon
ca	Monica		Tax Tables	Average Incon
be	Phoebe		Tax Tables	Average Incon
mond A	Raymond		Tax Tables	Average Incon

These are the employee whose tax calculation rates need to be changed at the end of February 2017, before rolling over into March.

Note: If the Tax Calculation Details report generated in the previous step indicates that none of the employee’s on your payroll have their tax calculation rates set to “Tax Tables: Deemed” then there is nothing further for you to do, and you can safely ignore the rest of this section of the release notes.

Once you have identified the directors or members of CCs whose tax calculation rates need to be updated:

- Go to the *Employees* section.
- Select *Employee* → *Employee Setup Wizard* from the main menu.
- In the *Employee Setup Wizard*, click *Next* up to the *Tax Calculation* page.
- On the *Tax Calculation* page, change the *Tax Calculation Rate* from “Tax Tables on Deemed Remuneration” to “Tax Tables”, then select the applicable *Tax Calculation Basis* and *Tax Correction Method* as well.

**Employee Setup Wizard**

**Tax Calculation**

Specify the employee's tax details using the relevant fields below. Note that employees whose earnings are below the tax threshold are NOT automatically exempt from employee's tax.

Tax Reference No.	9876543210
Tax Calculation Rate	Tax Tables
Tax Calculation Basis	Actual Income
Tax Correction Method	Distributed Correction

Note: The default tax calculation basis is "Actual Income" and the default tax correction method is "Distributed Correction", as indicated in the example above.

- Click *Next* up to the last page of the *Employee Setup Wizard*, then click *Finish*.

Repeat this process for each of the directors or members of CCs whose existing tax calculation rates were set to "Tax Tables: Deemed" on the Tax Calculation Details report.

NB: Changing an employee's Tax Calculation Rate in the Employee Setup Wizard **after** the employee's March 2017 payslip has already been created, **will not** automatically resolve a payslip validation error on the employee's March payslip. In such a case, you will first need to delete (i.e. reverse) the employee's March payslip and then recreate it again, in order for the error to be resolved.

### Employment Tax Incentive Act Amendments

The Taxation Laws Amendment Act 2016 which was assented to by the President on 18 January 2017 contains several amendments to the Employment Tax Incentive Act 2013, most notable of which are several changes relating to the manner in which an employee's monthly remuneration and ETI value must be calculated in cases where the employee was employed for less than a full month.

Prior to the Act being amended, the definition of "monthly remuneration" in the ETI Act read as follows:

...*"monthly remuneration"*

- Where an employer employs a qualifying employee for more than 160 hours in a month, means the amount paid or payable to the qualifying employee by the employer in respect of a month, or;*

- b) Where an employer employs a qualifying employee for less than 160 hours in a month, means an amount calculated in terms of section 7(5).*

The problem with this definition was that an employee can still “employed” by an employer, even if the employee is not currently being paid. Suppose for example that an employee goes on unpaid leave in the third week of a month, and therefore is only paid half his/her salary for the month. According to the original ETI Act, that employee would still have been employed for more than 160 hours (i.e. for the full month), and the amount of remuneration paid to the employee would therefore not be “grossed up” to a monthly equivalent for the purposes of calculating ETI. The ETI amount to which the employer was entitled in respect of that employee would therefore be incorrect, since it was not calculated on the employee’s actual monthly remuneration, but only on about half of it. In an attempt to rectify this, and other similar situations, the ETI Act has therefore been amended.

After the latest amendments, the definition of “monthly remuneration” now reads:

...“monthly remuneration”

- a) Where an employer employs and pays remuneration to a qualifying employee for at least 160 hours in a month, means the amount paid or payable to the qualifying employee by the employer in respect of a month, or;*
- b) Where an employer employs a qualifying employee and pays remuneration to that employee for less than 160 hours in a month, means an amount calculated in terms of section 7(5).*

Note: Similar wording is now also used in section 4(1) which deals with the minimum wage qualifying test, as well as section 7(5) which deals with the method of pro-rating the theoretical monthly ETI value in cases where employees were employed for less than a full month (refer to the Taxation Laws Amendment Act, 2016 which is available from the National Treasury web site at [www.treasury.gov.za](http://www.treasury.gov.za) for a detailed list of the exact amendments included in the Act).

The intended effect of these amendments are to exclude periods of unpaid leave, short time, or any other periods for which the employee is not remunerated from being regarded as periods during which the employee was “employed”. Using the same example from before, an employee who goes on unpaid leave in the third week of a month will now be considered as only being “employed” for half the month. As a result, the remuneration paid to the employee in respect of the first two weeks of the month will be grossed up to a monthly equivalent for the purposes of calculating the ETI value, and the resulting ETI value will then be pro-rated according to the same ratio, as was the original intention of the Act.

These new ETI requirements are already included in Intercode Payroll V5.3, and will automatically be applied when calculating the ETI values in respect of the employees on your payroll from March 2017 onwards.

## **Employment Tax Incentive Act: Extended to February 2019**

The Employment Tax Incentive Act which came into effect in January 2014 was originally scheduled to come to an end on 31 December 2016. The Taxation Laws Amendment Act 2016 which was assented to by the President on 18 January 2017 has now extended this deadline to 28 February 2019. Once Intercode Payroll V5.3 has been installed, any ETI amounts that the employer might be entitled to in respect of qualifying employees will continue being calculated automatically, as before.

Note: Since the original ETI Act specifically prohibited employers from claiming ETI after 31 December 2016, Intercode Payroll V5.1 or earlier would automatically have stopped calculating ETI in respect of your employees at the end of December 2016. In anticipation of the TLAB being passed into law, Intercode Payroll V5.2 was released on 01 December 2016, and included extended support for the provisions of the ETI Act, ensuring that the ETI amounts in respect of January and February 2017 were calculated correctly. If you did not install Intercode Payroll V5.2 when it was released December 2016 you should refer to Appendix A of this document for instructions on recalculating the ETI amounts in respect of January and February 2017.

## **Unemployment Insurance Amendment Act, 2016**

The Unemployment Insurance Amendment Act 2016 which has been in the works for the last few years was finally assented to by the President on 18 January 2017. The Act contains (amongst others) the following amendments:

### **Application of the Act**

Prior to being amended by the Unemployment Insurance Amendment Act of 2016, section 3(1) of the Unemployment Insurance Act of 2001 (which defines the scope of the application of the Act) used to read as follows:

1. *This Act applies to all employers and employees, other than—*
  - a. *employees employed for less than 24 hours a month with a particular employer, and their employers;*
  - b. *employees under a contract of employment contemplated in section 18(2) of the Skills Development Act, 1998 (Act No. 97 of 1998), and their employers;*
  - c. *employees in the national and provincial spheres of government who are officers or employees as defined in section 1(1) of the Public Service Act, 1994 (Proclamation No. 103 of 1994), and their employers, and;*
  - d. *persons who enter the Republic for the purpose of carrying out a contract of service, apprenticeship or learnership within the Republic if upon the termination thereof the employer is required by law or by the contract of service, apprenticeship or learnership,*

*as the case may be, or by any other agreement or undertaking, to repatriate that person, or that person is so required to leave the Republic, and their employers.*

The Unemployment Insurance Amendment Act of 2016 has now replaced section 3 of the original Act (as amended) with the following section:

- 1) *This Act applies to all employers and their employees, other than employees employed for less than 24 hours a month with a particular employer, and their employers.*
- 2) *This Act does not apply to members of parliament, cabinet ministers, deputy ministers, members of provincial executive councils, members of provincial legislatures and municipal councillors.*

As a result of this amendment:

- Employees under a contract of employment contemplated in section 18(2) of the Skills Development Act, 1998, and their employers, are **no longer excluded** from the Act.
- Employees who enter the Republic for the purpose of carrying out a contract of service within the Republic and who are required by law or by the contract of service to be repatriated at the end of their service, and their employers, are **no longer excluded** from the Act.

How this affects your payroll:

On Intercode Payroll you can exclude certain employees (and their employers) from contributing to UIF by setting the *Contribution Type* of an employee's UIF deduction to "None" for both the employee and employer contributions, and then providing a valid *Non-contribution Reason*. The list of valid reasons for not contributing to the UIF is largely based on the section 3 of the Unemployment Insurance Act of 2001 (Application of the Act). Because of the fact that this section has now been changed, the list of valid reasons for not contributing to UIF which are available for selection in Intercode Payroll has now also changed.

As of 01 March 2017, the UIF non-contribution reasons 02 (Learner in terms of the Skills Development Act) and 04 (Employee will be Repatriated at end of service) will no longer be valid. If any of the employees on your payroll have been excluded from contributing to UIF due to one of these two reasons, you will receive a payslip validation error on that employee's payslip from March 2017 onwards, as is shown in the example below.

Payroll Month	March 2017	Reduced Taxation on Travel :	No	Total Deductio
Period No.	1 of 1			Nett Pay Roun
Period Status	Open			Nett Pay

Income	Deductions	Time and Attendance	Validation Errors (1)
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UIF Non-Deduction Reason 02 (Learner in terms of SDL Act) is Invalid as of March 2017
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In order to correct this error, you must edit the UIF deduction on the employee's payslip and set both the employee and employer's *Contribution Type* to the default value (1% of Income Subject to UIF) (see example below).

**Deduction Item**

**Deduction Details**

Deduction Description: Unemployment Insurance Fund (UIF)

Tax Classification: Unemployment Insurance Fund Contributions ( 4141 )

Deduction Beneficiary: SARS: UIF Account

**Contribution Values**

**Employee Contribution**

Contribution Type: Percentage of a selected income total

Contribution Percentage: 1 % of Income subject to UIF

**Employer Contribution**

Contribution Type: Percentage of a selected income total

Contribution Percentage: 1 % of Income subject to UIF

**Contribution Options**

The contributions will be paid directly to the beneficiary by the employee personally

Help
OK
Cancel

This will not only resolve the validation error, but will also result in UIF being deducted for these employees as of March 2017 onwards, as is now required by law.

Note: The UIF is expected to also amend the list of valid non-contribution reasons which may be used on manual UI-19 forms accordingly, in the very near future. If you make use of manual UI-19 forms it is recommended that you no longer make use of non-contribution reasons 02 or 04 on those forms as of 01 March 2017 onwards.

### **Entitlement to Benefits as a result of Reduced Working Time**

In the past, employees (while still employed) were entitled to unemployment insurance benefits as a result of maternity or adoption leave, or extended illness leave. The Unemployment Insurance Amendment Act of 2016 has now amended section 12 (Right to Benefits) of the Act by the insertion of the following subsection 1(A):

*“A Contributor employed in any sector who loses his or her income due to reduced working time, despite still being employed, is entitled to benefits if the contributor’s total income falls below the benefit level that the contributor would have received if he or she had become wholly unemployed, subject to that contributor having enough credits.”*

In other words, if an employee is still employed but his/her working hours are reduced, and as a result the employee’s total income falls below the level of the unemployment benefits that the employee would have been entitled to if the employee was no longer employed at all, then the employee is now entitled to claim unemployment benefits in order to make up for the income shortfall.

How this affects your payroll:

In the past, in order for an employee who was on maternity or illness leave to claim benefits, it was necessary for the employer to declare the relevant employee’s “employment status” on the monthly UI-19 declaration as either “09” (Maternity Leave) or “10” (Illness Leave), and to then also specify the date on which the period of maternity or illness leave started. Going forward, this will now also be the case for employees who are entitled to claim benefits as a result of reduced working time.

In order to enable an employee to claim benefits as a result of reduced working time:

- Go to the *Payroll* section.
- Ensure the employee’s payslip(s) for the relevant month has been approved and closed.
- Select *Monthly Totals* at the top left of the *Payroll* window.
- Select the relevant month on the calendar to the left of the window.
- Double-click on the relevant employee’s name to open the *Monthly Total Details* window.

- In the *UIF Declaration Details* section of the *Monthly Total Details* window, change the *Employment Status* to “Reduced Working Time”.
- In the *Employment Status Date* field, select the date from which the employee became entitled to benefits as a result of reduced working time (i.e. the date on which the employee’s total income fell below the applicable benefit level).

The screenshot shows a window titled "UIF Declaration Details". It contains two fields: "Employment Status" with a dropdown menu showing "17 : Reduced Working Time" and a small downward arrow, and "Employment Status Date" with a date input field showing "2017/02/16" and a calendar icon.

- Click *OK* to close the window.

When submitting the monthly UI-19 declaration to the UIF (either in printed form, or by electronic export file) the employee’s employment status will now be reflected as “17” (Reduced Working Time), allowing the UIF to update their database accordingly.

Note: Even though the President assented to the Unemployment Insurance Act of 2016 on the 18<sup>th</sup> of January 2017, it is not yet clear when these new provisions of the Act will be implemented by the UIF. As a result, the UIF might not accept declarations that make use this new employment status code until such time as their systems have been updated to handle the new code. If you experience any problems submitting declarations that make use of this new code to the UIF, please contact the Intercode Support desk on 086 111 3523 for assistance.

### **Other UIF Changes**

Other changes introduced by the Unemployment Insurance Amendment Act of 2016 which do not have a direct impact on your payroll include:

- The extension of UIF benefits from 238 to 365 days.
- An increase in the income replacement rate of maternity benefits to 66%.
- To include public servants under the UIF.
- To allow a nominated beneficiary of a deceased employee to receive their benefits.

### **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.

## APPENDIX A

### Recalculating ETI Amounts for January and February 2017

**Note:** If you installed Intercode Payroll V5.2 in December 2016 when it was released, you can safely ignore the rest of this document. This section is only applicable to employers who did not install V5.2, and now need to recalculate the ETI amounts in respect of January and February 2017 retrospectively as a result.

As mentioned previously, the ETI Act would originally have come to an end at the end of December 2016. However, the ETI Act was then amended towards the end of 2016 and the effective period of the Act was extended to the end of February 2019. At the time, the latest available version of Intercode Payroll (V5.1) had the original ETI deadline built into it, which meant that it would automatically stop calculating ETI in respect of any of the employees on your payroll at the end of December 2016. We therefore had to release an updated version of Intercode Payroll (V5.2) which extended the deadline for calculating ETI in the payroll to February 2019 as well. This update was released on 01 December 2016, and had to be installed prior to approving and closing any of the January or February 2017 payslips, otherwise no ETI would be calculated in respect of those months.

If for some reason you did not install V5.2 before approving and closing your January or February 2017 payslips, you currently won't have any ETI amounts reflected for those months, even though you might have had qualifying employees on your payroll in those months. If that is the case however, you can still recalculate the ETI amounts for those months retrospectively once you've installed Intercode Payroll V5.2 if you wish.

To recalculate the ETI amounts in respect of qualifying employees for January and/or February 2017:

- Make sure you've installed Intercode Payroll V5.2 or later.
- Open the relevant employer file.
- Go to the *Payroll* section at the bottom left of the main window.
- Select *Monthly Totals* at the top left of the *Payroll* window.
- On the calendar to the left of the window, select "January 2017".
- On the toolbar at the top of the window, click the 4<sup>th</sup> button (Recalculate ETI Amounts). This will open the *Recalculate Employment Tax Incentive Amounts* window.

**Recalculate Employment Tax Incentive Amounts**

Starting From

January 2017

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.

ETI Minimum Wage Method

When determining if an employee earns above the required minimum wage in terms of the Act:

Compare employee's hourly rate to an effective minimum hourly rate.

Compare employee's basic salary or wage to the monthly minimum wage.

Prorate monthly minimum wage for partial months according to:

Portion of Month Worked

Portion of Month Employed (Recommended as of March 2015)

Apply minimum wage rates from employees' current wage profiles (if applicable).

OK Cancel

- Leave the *Monthly Remuneration Method* and *ETI Minimum Wage Method* options at their default values, then make sure the option at the bottom of the window to “Apply minimum wage rates from employees’ current wage profiles” is checked, and click “OK”.
- You will see a message warning you that applying the wage rates from the employees’ current wage profiles will overwrite any existing wage rates – click “Yes” to continue.
- After a short pause you should see a message informing you that the ETI values have been recalculated successfully – click “OK” to close the message.

That’s it. If any of the employees on your payroll qualified for ETI during either January or February 2017, the relevant ETI amounts should now be visible in the “ETI Value” column of the Monthly Totals section as usual. Please note that if you have already submitted your EMP201 return in respect of a month for which the ETI values have now changed as a result of a recalculation, you will have to submit

a request for correction on the relevant EMP201 on the SARS E-Filing web site in order to take the relevant ETI amounts into account.

End of Appendix