INTERCODE PAYROLL V5.5.0 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There is no need to uninstall your current version of Intercode Payroll before installing a newer version of the software.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.
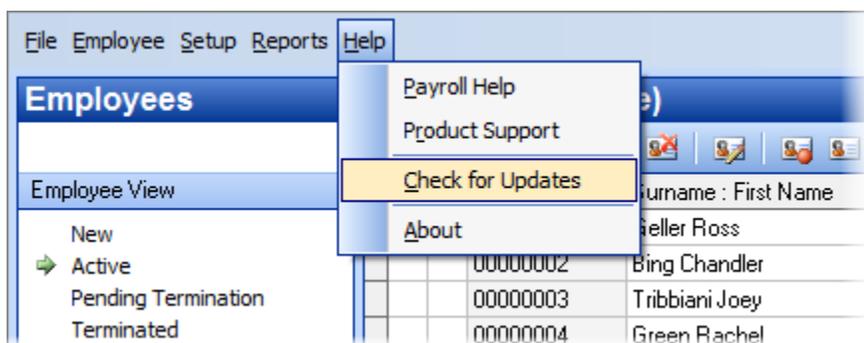
4. Follow the on-screen instructions to update your version of Intercode Payroll.

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

2018-2019 Tax Tables

Intercode Payroll V5.5 includes the 2018-2019 tax tables as announced in the national budget speech on Wednesday 21 February 2018. As soon as this update has been installed you will be able to do a payroll run into March 2018. 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 2018-2019 tax year, select *Setup* → *Tax Year Setup* from the Intercode Payroll main menu.

Retirement Funds: Updating the Fund Member Category Factors for 2019

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 2019 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.

Changes to Reimbursive Travel Allowances

The Taxation Laws Amendment Act of 2018 has made some changes to the way in which reimbursive travel allowances are calculated and taxed. In simplified terms, the 12 000 kilometre limit which was previously used in the simplified calculation method has been removed from the Act, and a new section has been added stating that so much of a reimbursive allowance as exceeds the prescribed rate per kilometre will be regarded as remuneration for employees' tax purposes.

SARS has therefore changed the way in which reimbursive travel allowances must be taxed and reported on employee tax certificate as of the 2019 tax year as well.

In the past there were only two codes that could be used to report reimbursive travel allowances:

- Code 3702 where the employee was reimbursed for more than 12 0000 kilometres during the tax year or at a rate exceeding the prescribed maximum rate per kilometre (R 3.55/km for 2018) or any other form of travel allowance was also paid, or;

- Code 3703 where the employee was reimbursed for not more than 12 0000 kilometres during the tax year and at a rate not exceeding the prescribed maximum rate per kilometre (R 3.55/km for 2018) and no other travel allowance was paid.

In both cases employers were not required to deduct PAYE on the payroll, but employees could become liable for the payment of income tax in respect of code 3702 on assessment.

As a result of the changes introduced by the Taxation Laws Amendment Act, the following codes and rules must now be used as of 01 March 2018:

- Code 3703 where the employee was reimbursed at a rate NOT exceeding the prescribed maximum rate per kilometre (R 3.61 for 2019) AND no other travel allowance was paid. Code 3703 is not taxable.

- Code 3702 where the employee was reimbursed at a rate exceeding the prescribed maximum rate per kilometre OR any other travel allowance was paid. Code 3702 is not taxable on the payroll, but may be taxable on assessment.
  Note: If the actual rate per kilometre at which the employee was reimbursed exceeds the maximum prescribed rate per kilometre, only the portion of the reimbursement that does not

exceed the prescribed maximum rate per kilometre (R 3.61 for 2019) must be captured under code 3702, and the remainder (or excess portion) must be captured under the new code 3722.

- Code 3722 must be used to reflect the portion of a reimbursement that exceeds the maximum prescribed rate per kilometre (R 3.61 for 2019). Code 3722 is regarded as remuneration, and as such is taxable on the payroll.
  Note: Only the portion of the reimbursement that exceeds the prescribed maximum rate must be reflected under code 3722.

Below are some examples of the different scenarios, and how they should be reflected on the payroll.

Example 1:

An employee is reimbursed for 1 000 business kilometres at a rate of R 3.40 per kilometre. No other travel allowance is paid to the employee.

Seeing as the rate per kilometre at which the employee was reimbursed does not exceed the prescribed maximum rate and the employee does not receive any other travel allowance, the full value of the reimbursement (1 000 x R 3.40) must be reflected under code 3703. The reimbursement will not be taxable on the payroll.

Example 2:

An employee is reimbursed for 1 000 business kilometres at a rate of R 3.40 per kilometre. The employee also receives a travel allowance of R 1000 under code 3701.

Even though the rate per kilometre at which the employee is reimbursed does not exceed the prescribed maximum rate, the employee also receives a travel allowance. The full value of the reimbursement (1 000 x R 3.40) must therefore be reflected under code 3702. The reimbursement will not be taxable on the payroll but might be taxed on assessment.

Example 3:

An employee is reimbursed for 1 000 business kilometres at a rate of R 4.00 per kilometre.

Seeing as the rate per kilometre at which the employee is reimbursed exceeds the prescribed maximum rate, the reimbursement must be reported under code 3702 (regardless of whether or not the employee also receives a travel allowance under code 3701). However, only the portion of the reimbursement that does not exceed the prescribed maximum rate (1 000 x R 3.61) must be reported under code 3702, and the remainder (1 000 x R 0.39) must be reported under code 3722. Code 3702 will not be taxable on the payroll but might be taxed on assessment. Code 3722 will be fully taxable on the payroll.

IMPORTANT:

Since the rules surrounding the codes are now largely based on the rate per kilometre at which a travel reimbursement was calculated, it is critical that the correct rate per kilometre is captured on the payroll for each and every reimbursement transaction throughout the year. For this reason you will no longer be allowed to capture reimbursive travel allowance onto the payroll as "lump sums", as was often done in the past. As of 01 March 2018 Intercode Payroll will only allow you to specify the value of reimbursive travel allowances as a Fixed Amount and Quantity (i.e. a rate per kilometre multiplied by the number of kilometres travelled).

New IRP5 Reporting Code (3723)

A new IRP5 reporting code (3723) has been added which is to be used to report dividends which are not exempt in terms of paragraph (kk) of the proviso to S10(1)(k)(i).

When amount are reported under code 3723, employers must apply to SARS for tax directives that specify the PAYE to be withheld from these dividends.

New IRP5 Reporting Codes (Bursaries or Scholarships – Disabled Persons)

Under certain circumstances and within certain limits, the fringe benefit that results from a bursary or scholarship granted by an employer to an employee or the employee's relatives may be exempt from income tax. SARS currently provides four separate IRP5 reporting codes to report the value of bursaries or scholarships granted to employees or their relatives. The individual codes to be used depends on whether or not the bursary or scholarship is exempt from income tax, as well as the level of education in respect of which the bursary or scholarship is granted.

The four existing codes are:

- 3809 – Bursary or Scholarship: Basic Education (Taxable)

- 3815 – Bursary or Scholarship: Basic Education (Non-Taxable)

- 3820 – Bursary or Scholarship: Further Education (Taxable)

- 3821 – Bursary or Scholarship: Further Education (Non-Taxable)

The Taxation Laws Amendment Act of 2017 however amended Section 10 of the Income Tax Act by defining different exemption limits for bursaries and scholarships granted to disabled employees (or their disabled relatives), which came into effect on 01 March 2018. As a result, SARS has introduced four new IRP5 reporting codes to be used to report the fringe benefits in respect of bursaries or scholarships granted to employees (or their relatives) with disabilities.

The four new codes are:

- 3829 - Bursary or Scholarship: Disabled Person: Basic Education (Taxable)

- 3830 - Bursary or Scholarship: Disabled Person: Basic Education (Non-Taxable)

- 3831 - Bursary or Scholarship: Disabled Person: Further Education (Taxable)

- 3832 - Bursary or Scholarship: Disabled Person: Further Education (Non-Taxable)

These new IPR5 codes are now also available in Intercode Payroll and must be used to report the fringe benefit values in respect of bursaries or scholarships granted to disabled employees (or their disabled relatives) as of 01 March 2018.

Minor Enhancements

In the past it was not possible to generate electronic UIF declaration files if the employer was not registered with SARS for PAYE. This restriction has now been removed. Electronic UIF declaration files can now be generated for any employer, regardless of whether or not the employer's PAYE reference number has been completed.

The Tax Certificate Totals report will now reflect all values without cents in order to exactly match the values reflected on employee tax certificates (where cents are not permitted by SARS).

The Employee Listing - Employee Type report (Reports → Employee Reports → Employee Listing) will now display either the employee *Industry Number* or *Other Number* in the last column, depending on which has been completed in the Employee Setup Wizard (Note: If both are completed, priority will be given to the *Industry Number*).

Bug Fixes

Fixed a bug where the Beneficiary Payment Amounts report would not reflect deduction transactions whose values were less than one Rand.

Fixed a bug where it was not possible to specify a Postal Intermediary (i.e. a "care of" third party) for the employer's postal address in the Employer Setup Wizard.

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.